COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 8 4 0 4 4

COMPANY NAME

J G S U M M I T H O L D I N G S , I N C . A N D S U B S I D I A R I E S

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

4 3 r d F l o o r , R o b i n s o n s - E q u i t a b l e T o w e r , A D B A v e n u e c o r n e r P o v e d a R o a d , P a s i g C i t y

Form Type	Department requiring the report	Secondary License Type, If Applicable
1 7 - Q		N / A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.jgsummit.com.ph	633-7631	-

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
	2nd Thursday of June	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Francisco M. Del Mundo	Pancho.DelMundo@urc.net.ph	633-7631	

CONTACT PERSON's ADDRESS

41st Floor, Robinsons-Equitable Tower, ADB Avenue corner Poveda Road, Pasig City

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **September 30, 2019**

2. SEC Identification Number **184044**

3. BIR Tax Identification No. **000-775-860**

4. Exact name of registrant as specified in its charter **JG Summit Holdings, Inc.**

5. **Pasig City, Philippines**
Province, Country or other jurisdiction of incorporation or organization

6. [ ] (SEC Use Only)
Industry Classification Code:

7. **43rd Floor, Robinsons-Equitable Tower ADB Ave. corner Poveda Road, Pasig City 1600**
Address of principal office — Postal Code

8. **(632) 633-7631**
Registrant's telephone number, including area code

9. **Not Applicable**
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the RSC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	**7,162,841,657**
Long-term Debt	**30,000,000,000**

11. Are any or all of these securities listed on a Stock Exchange.

Yes [/] No [ ]
If yes, state the name of such stock exchange and the classes of securities listed herein:

Philippine Stock Exchange
Common Stock

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);

Yes [/] No [ ]

(b) has been subject to such filing requirements for the past 90 days.

Yes [/] No [ ]

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Financial Statements.

The unaudited consolidated financial statements are filed as part of this Form 17-Q.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Group has presented its interim unaudited consolidated financial statements as of and for the period ended September 30, 2019 in compliance with the new accounting standards (PFRS 9 and 15) which the Group has adopted effective 2018. To align with the current period's presentation, the Group has reclassified and restated the comparative accounts in the consolidated statements of financial performance for the period ended September 30, 2018.

Effective January 1, 2019, the Group adopted PFRS 16, *Leases*, which was applied using the modified retrospective approach wherein information for prior period was not restated and continues to be reported under the previous standard, PAS 17.

Results of Operations

Nine Months Ended September 30, 2019 vs September 30, 2018

JG Summit Holdings, Inc. posted a consolidated net income from equity holders of the parent of ₱22.23 billion for the nine months of 2019, a 50.3% increase from ₱14.80 billion for the same period last year. Increase is mainly due to double-digit income growth in our airline and real estate businesses coupled by the foreign exchange translation gains and increase in equity in net earnings of associates particularly from United Industrial Corporation Limited (UIC). Consolidated core net income after taxes (excluding non-operating and nonrecurring items) amounted to ₱19.47 billion for the nine months of 2019, a 9.5% increase from ₱17.78 billion for the nine months of 2018. Consolidated EBITDA reached ₱65.49 billion, a 30.9% increase from last year's ₱50.05 billion, due to the impact of PFRS 16 on depreciation expense. Excluding PFRS 16 adjustments, EBITDA would have only increased by 20.5%.

Consolidated revenues grew 10.6% from ₱216.69 billion to ₱239.60 billion following the performance of its core subsidiaries:

- URC's total revenues increased by 5.8% from ₱94.30 billion in 2018 to ₱99.78 billion in 2019 driven by 9.0% increase in branded consumer foods (BCF) domestic sales and 42.2% growth in feeds business.
- Cebu Air's total revenues went up by 17.7% from ₱54.04 billion for the nine months of 2018 to ₱63.62 billion in 2019 due to the 10.4% growth in passenger volume and 6.7% increase in average fares.
- RLC's total revenues increased by 40.3% from ₱22.18 billion in 2018 to ₱31.12 billion in 2019 mainly due to ₱8.84 billion revenue contribution from the sale of condominium units from Phase 1 of its Chengdu Xin Yao Ban Bian Jie Project.
- JG Petrochemicals Group revenues declined by 19.3% from ₱32.36 billion for the nine months of 2018 to ₱26.12 billion for the same period this year primarily due to decrease in average selling prices and volumes sold for polyethylene (PE), polypropylene (PP), ethylene (C2), pygas and mixed C4 products.

- Robinsons Bank's revenues increased 41.5% from ₱4.27 billion for the nine months of 2018 to ₱6.05 billion for the same period this year due to higher interest income from finance receivables, commission income and trading gains during the period.

Revenues from our core investments increased by 36.8% from ₱9.03 billion in 2018 to ₱12.35 billion in 2019. Equity in net earnings of associates, primarily from our investments in UIC/Singapore Land, Meralco and GBPC, increased by 41.1% from ₱7.81 billion for the nine months of 2018 to ₱11.02 billion for the same period this year. The significant increase came from the SG$210.3 million one-off gain recognized by UIC on its acquisition of Marina Mandarin in the second quarter of 2019 which resulted to an additional ₱3.0 billion equity income take-up by the Group in UIC. Dividend income also increased by 9.4% as the dividends received by the Group from PLDT increased 12.5% (₱64 per share in 2018 to ₱72 per share in 2019) in the nine months of the year.

Consolidated cost of sales and services for the nine months of the year increased by 7.4% from ₱142.72 billion last year to ₱153.35 billion this year due to higher input costs of the food, real estate and airline businesses.

The Group's operating expenses increased by 9.9% from ₱39.05 billion last year to ₱42.90 billion in the same period this year mainly due to higher selling, general and administrative expenses of our airline business. As a result, Consolidated Operating Income or EBIT amounted to ₱43.35 billion for the nine months of 2019, a 24.1% increase from ₱34.92 billion for the same period last year.

The Group's financing costs and other charges, net of interest income, increased by 28.9% to ₱7.21 billion this year from last year's ₱5.59 billion due to higher level of financial debt of the Parent Company, airline, petrochemicals and real estate businesses, as well as the impact of PFRS 16 on interest expense. Excluding the PFRS 16 impact, financing costs and other charges, net of interest income, would have only increased by 14.2%.

Market valuation gains on financial assets amounted to ₱761.45 million for the nine months of 2019, an 8.3% decrease from ₱830.64 million for the same period last year attributable to the mark-to-market valuation losses on fuel hedging transactions of the airline business, partially offset by the increase in fair values and realized gains on financial assets during the period.

The Group recognized a net foreign exchange loss of ₱953.89 million in 2019 from ₱3.94 billion in 2018 due to appreciation of Philippine Peso against US Dollar for the nine months of 2019 (₱52.58 as of December 31, 2018 to ₱51.83 as of September 30, 2019) as compared to the Philippine Peso depreciation for the nine months of 2018 (₱49.93 as of December 31, 2017 to ₱54.02 as of September 30, 2018).

Other income (expense) - net account, which represents miscellaneous income and expenses, amounted to a loss of ₱318.17 million for the nine months of 2019 mainly due to CEB's loss on sale of aircraft.

Provision for income tax increased by 7.2% to ₱4.81 billion for the nine months of 2019 mainly due to higher taxable income of the real estate business and decrease in deferred tax assets of the airline business.

FOOD

Universal Robina Corporation (URC) generated a consolidated sale of goods and services of ₱99.78 billion for the nine months ended September 30, 2019, a 5.8% sales growth over the same period last year driven by the strength in the Philippines. Sale of goods and services performance by business segment follows: (1) URC's branded consumer foods segment (BCF), excluding packaging division, increased by 4.1% to ₱78.01 billion for the nine months of 2019 from ₱74.97 billion registered in the same period last year. BCF domestic operations posted a 9.0% increase in net sales from ₱43.07 billion for the nine months of 2018 to ₱46.95 billion for the nine months of 2019 driven by strong performance across all categories with snack foods and RTD accelerating in 3rd quarter. BCF international operations reported a 2.6% decrease in net sales from ₱31.90 billion for the nine months of 2018 to ₱31.06 billion for the nine months of 2019 due to weak performance of Thailand, offsetting the growth coming from Vietnam and Oceania, compounded by forex devaluations particularly in New Zealand and Australia. In constant US dollar (US$) terms, sales is higher by 1.4% in the same period last year with mixed results from major markets. Vietnam rebounded with stronger growth of 9.4% driven by the double-digit growth from C2 with significant contributions from new product launches, partly offset by decline in Rong Do. New Zealand sales slightly up by 1.2% due to slow domestic market while Australia grew by 3.0% driven by strong performance across the board. Thailand sales decreased by 6.4% driven by decline in biscuits and wafers while exports grew due to strong sales to Cambodia. Thailand's performance remains challenged as the economy continues to affect consumer sentiment. Sale of goods and services in URC's packaging division decreased by 11.9% at ₱1.14 billion for the nine months of 2018 to ₱1.01 billion for the nine months of 2019 due to lower volumes. (2) Agro-Industrial segment (AIG) amounted to ₱9.96 billion for the nine months of 2019, an increase of 18.0% from ₱8.44 billion recorded in the same period last year. Feeds business' substantial growth of 42.2% is driven by higher volumes and selling prices while farms business decreased by 13.9% due to lower volumes in hogs. (3) Sale of goods and services in commodity foods segment (CFG) amounted to ₱10.80 billion for the nine months of 2019, a 10.8% increase from ₱9.75 billion reported in the same period last year, including the PFRS 15 impact on sugar milling revenue which URC adopted in January 1, 2019. CFG total sales for the nine months of 2019 would have increased by only 1.6% should the PFRS 15 impact on sugar milling revenue has been effected in 2018. Sugar business increased by 12.2% while renewables business declined by 4.7% driven by lower volumes of cogeneration division. Flour business posted a 17.3% growth due to strong volumes.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales increased by 5.4% to ₱70.16 billion for the nine months of 2019 from ₱66.56 billion recorded in the same period last year as a result of higher sales volume. Impact on cost of sales of PFRS 15 on sugar milling for the nine months of 2019 amounted to ₱768 million. Excluding this, cost sales would have only increased by 4.3% from last year.

URC's gross profit for the nine months of 2019 amounted to ₱29.62 billion, up by 6.8% from ₱27.75 billion reported in the same period last year. Gross profit margin increased by 27 basis points from 29.4% for the nine months of 2018 to 29.7% for the nine months of 2019.

URC's selling and distribution costs, and general and administrative expenses declined by 5.2% to ₱18.59 billion for the nine months of 2019 from ₱17.67 billion registered for the nine months of 2018. The increase resulted primarily from the following factors:

- 19.2% or ₱782 million increase in advertising and promotions to ₱4.85 billion for the nine months of 2019 from ₱4.06 billion in the same period last year due to higher consumer promotions and trade development activities to boost sales.

- 21.6% or ₱140 million increase in contracted services expense to ₱788 million for the nine months of 2018 from ₱648 million in the same period last year due to additional conso warehouses and increase in shared services charges.

As a result of the above factors, operating income increased by 9.4% to ₱11.03 billion for the nine months of 2019 from ₱10.08 billion reported for the nine months of 2018.

Market valuation on financial instruments at fair value through profit or loss increased to ₱32 million gain for the nine months of 2019 against the ₱71 million loss in the same period last year due to higher market values of equity investments.

URC's finance costs consist mainly of interest expense which increased by 3.7%, to ₱1.23 billion for the nine months of 2019 from ₱1.19 billion recorded in the same period last year due to the impact of PFRS 16.

Foreign exchange losses - net amounted to ₱1.10 billion for the nine months of 2019 from ₱244 million in the same period last year due to the combined effects of depreciation of international subsidiaries' local currencies and Philippine peso vis-à-vis US dollar.

Equity in net losses of joint ventures decreased to ₱39 million for the nine months of 2019 from ₱91 million in the same period last year due to change in ownership of URC on HURC and CURC from joint ventures to wholly-owned subsidiaries.

Other income (expense) - net account consists of gain (loss) on sale of fixed assets and investments, rental income, and miscellaneous income and expenses. This account amounted to net other expenses of ₱201 million for the nine months of 2019 from ₱4 million for nine months of 2018 due to last year's gain on sale of land.

URC's net income for the nine months of 2019 amounted to ₱7.27 billion, higher by 4.2%, from ₱6.98 billion for the nine months of 2018 driven by higher operating income, net of higher forex loss.

URC's core earnings before tax (operating profit after equity earnings, net finance costs and other income - net) for the nine months of 2019 amounted to ₱9.82 billion, an increase of 8.4% from ₱9.06 billion recorded in the same period last year.

Net income attributable to equity holders of the parent increased by 2.9% to ₱7.00 billion for the nine months of 2019 from ₱6.80 billion for the nine months of 2018 as a result of the factors discussed above.

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱16.55 billion for the nine months of 2019, 11.9% higher than ₱14.79 billion posted for the nine months of 2018.

REAL ESTATE AND HOTELS

Robinsons Land Corporation s (RLC) consolidated net income attributable to equity holders of the parent for the nine months of 2019 amounted to ₱7.23 billion, up by 10.4% from last year. EBIT and EBITDA increased by 12% to ₱10.50 billion and ₱14.13 billion, respectively, for the nine months ended September 30, 2019.

Total real estate revenues increased by 42% to ₱29.43 billion against last year's ₱20.70 billion, while hotel revenues were also up by 14% to ₱1.69 billion. The Commercial Centers Division contributed 31% or ₱9.64 billion of RLC's gross revenues, posting an 10% growth underpinned by a stable same mall rental revenue growth; contribution of the four new malls opened in 2018 namely Robinsons Place Ormoc, Robinsons Place Pavia, Robinsons Place Tuguegarao and Robinsons Place Valencia and newly opened mall in 2019, Galleria South and Robinsons Magnolia expansion; and pick-up in cinema ticket sales which grew by 5% year-on-year. RLC's Residential Division contributed 23% or ₱7.10 billion to RLC's revenues, up by 9% versus same period last year. RLC, through its subsidiary, Chengdu Xin Yao Real Estate Development, Co. Ltd. (Chengdu Xin Yao) started to recognize earnings from the sale of condominium units from Phase 1 of its Chengdu Xin Yao Ban Bian Jie Project which contributed a significant share of 28% or ₱8.84 billion to RLC's revenues. The Office Buildings Division contributed 11% or ₱3.55 billion, registering growth in revenues of 27% buoyed by rental escalations and high renewal rates in existing office developments and rental contribution of new offices that came online in 2018 namely Exxa Tower, Zeta Tower and Cyberscape Gamma. The Hotels and Resorts Division contributed 6% or ₱1.69 billion to RLC's revenues, up by 14% versus same period last year on the account of the strong performance of Summit Ridge Tagaytay, Summit Magnolia and Summit Galleria Cebu; Go Hotels branches in Palawan, Bacolod and Davao; provincial hotels opened in 2018 namely Summit Tacloban and Go Hotels - Iligan; and the new hotels opened in the first nine months namely Dusit Thani Mactan Cebu Resort and Summit Hotel Greenhills. The Industrial and Integrated Developments Division generated ₱293.9 million in revenues which declined by 89% than the previous year due to last year's recognition of revenue from a land sale and lease revenues from the Bridge Towne East Property.

Cost from real estate operations were up by 81% to ₱16.23 billion mainly due to higher cost of real estate sales and cost of hotel operations rose by 23% to ₱1.44 million due to the expenses of the new hotels. General and administrative expenses grew by 9% to ₱3.02 million because of higher taxes and licenses and salaries and wages, among others.

AIR TRANSPORTATION

Cebu Air, Inc. (Cebu Pacific) generated gross revenues of ₱63.62 billion for the nine months ended September 30, 2019, 17.7% higher than the ₱54.04 billion revenues generated in the same period last year accounted for as follows: (1) passenger revenues went up by 17.9% to ₱46.60 billion for the nine months ended September 30, 2019 from ₱39.54 billion reported in the nine months ended September 30, 2018, mainly attributable to the 10.4% growth in passenger volume to 16.7 million from 15.1 million last year as Cebu Pacific added bigger A321 aircraft to its fleet. The increase in average fares by 6.7% to ₱2,794 for the nine months ended September 30, 2019 from ₱2,617 for the same period last year also contributed to the increase in revenues; (2) cargo revenues increased by 5.3% to ₱4.32 billion for the nine months ended September 30, 2019 from ₱4.10 billion for the nine months ended September 30, 2018 following the increase in both volume and yield of cargo transported in 2019; and (3) ancillary revenues grew by 22.2% to ₱12.71 billion for the nine months ended September 30, 2019 from ₱10.40 billion reported in the same period last year attributable to the increase in average ancillary revenue per passenger by 10.7% from pricing adjustments and increased volume of certain ancillary products and services.

Cebu Pacific incurred operating expenses of ₱53.81 billion for the nine months ended September 30, 2019, higher by 7.8% than the ₱49.90 billion operating expenses reported for the nine months ended September 30, 2018. The increase was driven by its expanded operations, growth in seat capacity from the acquisition of new aircraft and the weakening of the Philippine peso against the U.S. dollar. As a result, Cebu Pacific's operating income amounted to ₱9.82 billion for the nine months ended September 30, 2019, 137.3% higher than the ₱4.14 billion operating income earned in the same period last year.

Interest income increased by 99.0% to ₱553.20 million for the nine months ended September 30, 2019 from ₱277.98 million earned in the same period last year due to the increase in the balance of cash in bank and short term placements year on year.

Cebu Pacific incurred a hedging gain of ₱67.26 million for the nine months ended September 30, 2019, a decline of ₱1.81 billion from a hedging gain of ₱1.88 billion for the same period last year as a result of lower mark-to-market valuation on fuel hedging positions in 2019. A net foreign exchange loss of ₱336.54 million was recorded for the nine months ended September 30, 2019 resulted from foreign exchange differentials realized through profit and loss upon sales remittance or collection driven by the appreciation of the Philippine peso against the U.S. dollar during the period.

Equity in net income of joint venture amounted to ₱70.43 million for the nine months ended September 30, 2019 from ₱81.61 million in the same period last year attributable to net loss incurred by Aviation Partnership (Philippines) Corporation (A-plus) and new joint venture, Digital Analytics Ventures, Inc. (DAVI) in 2019.

Interest expense increased by 59.2% to ₱2.48 billion for the nine months ended September 30, 2019 from ₱1.56 billion for the nine months ended September 30, 2018 brought about by the impact of PFRS 16 adoption and also due to the additional loans availed to finance the acquisition of the additional aircraft delivered throughout 2018 and 2019, and higher interest bench mark rates such as LIBOR and PH BVAL.

In March, August and September 2019, Cebu Pacific sold and delivered three (3) Airbus A320 aircraft to a subsidiary of Allegiant Travel Company (Allegiant) which resulted to a loss of ₱352.12 million. In August and September 2019, Cebu Pacific also sold and delivered two (2) Airbus A330 engine which resulted to a gain of ₱126.44 million.

Net income for the nine months ended September 30, 2019 amounted to ₱6.75 billion, an increase of 142.9% from the ₱2.78 billion net income earned in the same period last year.

PETROCHEMICALS

JG Summit Petrochemicals Group, which consists of JG Summit Petrochemicals Corporation (JGSPC) and JG Summit Olefins Corporation (JGSOC), reached combined gross revenues of ₱26.12 billion for the nine months of 2019, a 19.3% decrease from ₱32.36 billion in the same period last year brought about by the decrease in average selling prices and volumes sold for PE, PP, C2, pygas and mixed C4 products. Costs and expenses also declined by 10% from ₱31.20 billion for the nine months of 2018 to ₱28.07 billion for the nine months of 2019. This resulted to a net operating loss of ₱1.0 billion for the nine months of 2019, a 144.8% decline from ₱2.24 billion net operating income in the same period last year. Interest expense amounted to ₱664.40 million for the nine months of 2019 from only ₱153.62 million for the nine months of 2018 due to higher level of loans and trust receipts payable. A net foreign exchange gain of ₱93.21 million was also recognized for the nine months of 2019 from last year's net foreign exchange loss of ₱66.23 million. All these factors contributed to the net loss of ₱1.60 billion recorded for the nine months of 2019, a 182.8% decrease from ₱1.94 billion net income for the same period last year.

BANKING

Robinsons Bank Corporation generated banking revenue of ₱6.05 billion for the nine months of 2019, a 41.5% increase from last year's ₱4.27 billion brought about by higher interest income from finance receivables, commission income and trading gains during the period. Cost and expenses, including interest expense from deposit liabilities, also increased by 40.2% as the bank continued its expansion. These factors contributed to the net income of ₱467.98 million for the nine months of 2019, a 59.5% increase from ₱293.33 million net income for the same period last year.

EQUITY EARNINGS

Equity in net earnings of associated companies and joint ventures amounted to ₱11.02 billion for the nine months of 2019, a 41.1% increase from last year's ₱7.81 billion, mainly driven by the 133.2% increase in equity earnings from UIC from ₱2.30 billion last year to ₱5.36 billion for the nine months of 2019. UIC recorded net income from operations of S$399.41 million for the nine months of 2019, a 124.1% increase from last year's S$178.20 million arising from the SG$210.3 million one-off gain on derecognition of an associated company booked by UIC in the second quarter of 2019. Since the Group's policy for the valuation of property, plant and equipment is the cost basis method, the equity income taken up by the Group represents the adjusted amounts after reversal of the effect in the income statement of the revaluation of the said assets.

FINANCIAL RESOURCES AND LIQUIDITY

September 30, 2019 vs December 31, 2018

As of September 30, 2019, the Group's balance sheet remains healthy, with consolidated assets of ₱874.38 billion from ₱819.29 billion as of December 31, 2018. Current ratio stood at 0.99. The Group's indebtedness remained manageable with a gearing ratio of 0.63 and net debt to equity of 0.49 as of September 30, 2019.

Cash and cash equivalents decreased to ₱48.26 billion as of September 30, 2019 from ₱49.19 billion as of December 31, 2018. Cash provided by operating activities amounted to ₱25.81 billion. As of September 30, 2019, net cash used in investing activities amounted to ₱16.62 billion mainly for the Group's capital expenditure program. The Group's net cash used in financing activities amounted to ₱10.13 billion mainly due to payments of long-term debts and dividends. Our financial assets, including those held at fair value through profit and loss (FVTPL) (excluding derivative assets), fair value though other comprehensive income (FVOCI), and investment securities at amortized cost amounted to ₱52.96 billion, an 11.2% decrease from ₱59.62 billion as of December 31, 2018 due to lower level of financial assets coupled by lower market valuation during the year.

Receivables, including noncurrent portion increased by 5.9% from ₱93.53 billion as of December 31, 2018 to ₱99.07 billion as of September 30, 2019 mainly due to the increase in trade receivables of the food business and finance receivables of the banking business.

Inventories decreased 5.5% from ₱63.47 billion as of December 31, 2018 to ₱59.98 billion as of September 30, 2019 primarily due to decrease in subdivision land, condominium and residential units for sale of the real estate business, as well as lower level of raw materials of the petrochemicals business.

Biological assets, including noncurrent portion, increased by 35.7% due to increase in number of heads of swine and poultry livestock.

Other current assets increased by 6.6% from ₱24.57 billion as of December 31, 2018 to ₱26.19 billion as of September 30, 2019 mainly due to increase in input VAT of the petrochemicals business, partially offset by the decrease in advances to suppliers of the airline business.

Right-of-Use Assets amounting to ₱38.62 billion was recognized as of September 30, 2019 as a result of the adoption of PFRS 16 in 2019.

Consolidated total assets reached ₱874.38 billion as of end of September 30, 2019.

Short term debt increased 34.0% to ₱47.51 billion as of September 30, 2019 from ₱35.45 billion as of December 31, 2018 due to additional loans of RLC, URC and the Parent Company, as well as increase in trust receipts payable of the Petrochem during the period.

Contract liabilities (current and noncurrent) recognized by the real estate business amounted to ₱7.75 billion as of September 30, 2019, a 49.4% decrease from ₱15.31 billion as of December 31, 2018. Movement in this account is mainly due to reservation sales and advance payment of buyers less real estate sales recognized upon reaching the equity threshold from increase in percentage of completion.

Income tax payable decreased 15.6% mainly due to lower tax payable of the food business as of September 30, 2019.

Other noncurrent liabilities increased to ₱67.68 billion as of September 30, 2019 from ₱32.85 billion as of December 31, 2018 as a result of the recognition of noncurrent portion of lease liability under PFRS 16 amounting to ₱34.69 billion.

Stockholders' equity, excluding minority interest, stood at ₱298.95 billion as of September 30, 2019 from ₱276.59 billion as of December 31, 2018.

Book value per share amounted to ₱41.73 as of September 30, 2019.

KEY FINANCIAL INDICATORS

The Company sets certain performance measures to gauge its operating performance periodically and to assess its overall state of corporate health. Listed below are the major performance measures, which the Company has identified as reliable performance indicators. Analyses are employed by comparisons and measurements on a consolidated basis based on the financial data as of September 30, 2019 and December 31, 2018 and for the nine months ended September 30, 2019 and 2018.

Key Financial Indicators	**2019**	**2018 (As Restated)**
Revenues	₱239,603 million	₱216,296 million
EBIT	₱43,353 million	₱34,920 million
EBITDA	₱65,491 million	₱50,045 million
Core net income after taxes	₱19,474 million	₱17,784 million
Net income attributable to equity holders of the Parent Company	₱22,234 million	₱14,798 million
Liquidity Ratio:		
Current ratio	0.99	0.93
Solvency ratios:		
Gearing ratio	0.63	0.67
Net debt to equity ratio	0.49	0.53
Asset-to-equity ratio	2.22	2.23
Interest rate coverage ratio	7.36	7.35
Profitability ratio:		
Operating margin	0.18	0.16
Book value per share	41.73	38.61

The manner in which the Company calculates the above key performance indicators is as follows:

Key Financial Indicators		
Revenues	=	Total of sales and services, income from banking business, dividend income and equity in net earnings
EBIT	=	Operating income
EBITDA	=	Operating income add back depreciation and amortization expense
Core net income after taxes	=	Net income attributable to equity holders of Parent Company as adjusted for the net effect of gains/losses on foreign exchange, market valuations and derivative transactions
Current ratio	=	Total current assets over current liabilities
Gearing ratio	=	Total financial debt over total equity.
Net debt to equity ratio	=	Total financial debt less cash including financial assets at FVPL and AFS investments (excluding RBC cash, financial assets at FVPL and AFS investments) over total equity.
Asset-to-equity ratio	=	Total assets over total equity
Interest rate coverage ratio	=	EBITDA over interest expense
Operating Margin	=	Operating income over revenue
Book value per share	=	Stockholders' equity (equity attributable to parent excluding preferred shares) over outstanding number of common shares

2.1 Any known trends or any known trends, demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.

The Company does not expect any liquidity problems and is not in default of any financial obligations.

2.2 Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:

None

2.3 Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period:

The Company, in the normal course of business, makes various commitments and has certain contingent liabilities that are not reflected in the accompanying consolidated financial statements. The commitments and contingent liabilities include various guarantees, commitments to extend credit, standby letters of credit for the purchase of equipment, tax assessments and bank guarantees through its subsidiary bank. The Company does not anticipate any material losses as a result of these transactions.

2.4 Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described.

The Company's and its subsidiaries' performance will at all times be affected by the economic performance of the Philippines and other countries where its subsidiaries operate. Hence, the Group is always on guard and establishes controls to minimize such risks.

2.5. Any significant elements of income or loss that did not arise from the issuer's continuing operations.

None

2.6 Any seasonal aspects that had a material effect on the financial condition or results of operations.

None

PART II – OTHER INFORMATION

Item 1. List of disclosure not made under SEC Form 17 - C.

None.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

JG SUMMIT HOLDINGS, INC.

By:

11-14-2019

JAMES L. GO
Chairman of the Board

11-14-2019

LANCE Y. GOKONGWEI
President and
Chief Executive Officer

11-14-2019

FRANCISCO M. DEL MUNDO
Chief Financial Officer

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Thousands)

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱48,256,583**	₱49,194,676
Financial assets at fair value through profit or loss (Note 9)	**4,649,725**	3,650,525
Financial assets at fair value through other comprehensive income (Note 10)	**17,328,574**	23,915,671
Receivables (Note 11)	**44,162,866**	43,675,353
Inventories (Note 12)	**59,978,972**	63,472,037
Biological assets	**1,135,946**	741,720
Contract assets	**4,681,804**	5,088,357
Other current assets (Note 13)	**26,186,419**	24,566,599
Total Current Assets	**206,380,889**	214,304,938
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (Note 10)	**19,578,480**	19,457,412
Receivables (Note 11)	**54,908,655**	49,851,486
Investment securities at amortized cost (Note 10)	**11,405,876**	12,597,090
Investments in associates and joint ventures (Note 14)	**150,291,907**	144,914,597
Property, plant and equipment	**229,840,693**	218,273,655
Right-of-use assets (Note 3)	**38,622,632**	–
Investment properties	**97,001,746**	93,816,971
Contract assets	**7,052,734**	6,444,995
Goodwill	**32,005,604**	32,005,604
Intangible assets	**13,900,204**	13,954,425
Biological assets	**367,298**	366,184
Other noncurrent assets (Note 15)	**13,020,856**	13,299,659
Total Noncurrent Assets	**667,996,685**	604,982,078
	₱874,377,574	₱819,287,016

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 16)	**₱132,625,761**	₱132,655,835
Short-term debts (Note 18)	**47,513,119**	35,453,724
Current portion of long-term debts (Note 18)	**5,835,545**	30,962,270
Contract liabilities	**5,012,741**	12,931,514
Income tax payable	**1,500,031**	1,776,773
Other current liabilities (Note 17)	**16,322,194**	15,639,061
Total Current Liabilities	**208,809,391**	229,419,177

	September 30, 2019	December 31, 2018
	(Unaudited)	(Audited)
Noncurrent Liabilities		
Long-term debts - net of current portion (Note 18)	**₱193,118,497**	₱179,286,698
Deferred tax liabilities	**7,914,231**	7,877,224
Contract liabilities	**2,741,791**	2,378,691
Other noncurrent liabilities (Note 19)	**67,678,134**	32,847,365
Total Noncurrent Liabilities	**271,452,653**	222,389,978
Total Liabilities	**480,262,044**	451,809,155
Equity		
Equity attributable to equity holders of the Parent Company:		
Paid-up capital (Note 20)	**30,755,867**	30,755,867
Retained earnings (Note 20)	**258,670,238**	239,101,690
Equity reserve (Note 20)	**(20,028,774)**	29,573,169
Other comprehensive loss	**29,557,037**	(22,844,855)
	298,954,368	276,585,871
Non-controlling interests	**95,161,162**	90,891,990
Total Equity	**394,115,530**	367,477,861
	₱874,377,574	₱819,287,016

See accompanying Notes to Consolidated Financial Statements.

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands Except Per Share Amounts)

	Quarters Ended September 30		Nine Months Ended September 30	
	2019	2018 (As restated)	**2019**	2018 (As restated)
REVENUE				
Sale of goods and services:				
Foods	**₱32,743,788**	₱30,834,323	**₱99,784,656**	₱94,303,823
Air transportation	**18,921,600**	16,201,683	**63,624,574**	54,036,568
Real estate and hotels	**16,373,762**	9,124,199	**31,118,119**	22,180,285
Petrochemicals	**7,539,863**	11,184,619	**26,121,049**	32,361,673
Banking	**2,154,920**	1,540,431	**6,048,664**	4,273,791
Dividend income	**650,800**	651,947	**1,330,500**	1,215,654
Equity in net earnings of associates and joint ventures	**2,555,276**	2,620,922	**11,019,615**	7,811,154
Supplementary businesses	**225,356**	147,366	**555,886**	505,651
	81,165,365	72,305,490	**239,603,063**	216,688,599
COST OF SALES AND SERVICES	**54,092,115**	48,248,552	**153,354,294**	142,722,199
GROSS INCOME	**27,073,250**	24,056,938	**86,248,769**	73,966,400
OTHER OPERATING EXPENSES				
General and administrative expenses	**14,530,526**	13,041,427	**42,843,018**	38,916,997
Impairment losses and others	**39,005**	63,239	**52,772**	129,554
	14,569,531	13,104,666	**42,895,790**	39,046,551
OPERATING INCOME	**12,503,719**	10,952,272	**43,352,979**	34,919,849
OTHER INCOME (LOSSES)				
Financing costs and other charges	**(3,023,946)**	(2,364,686)	**(8,901,779)**	(6,806,770)
Market valuation gains (losses) on derivative financial instruments	**(223,151)**	534,138	**67,261**	1,862,397
Foreign exchange gains (losses)	**(1,365,992)**	(1,108,332)	**(953,891)**	(3,937,521)
Market valuation losses on financial assets at fair value through profit or loss	**(86,306)**	(88,515)	**694,191**	(1,031,762)
Finance income	**513,946**	422,578	**1,693,628**	1,215,364
Others	**(15,221)**	229,835	**(318,165)**	(133,001)
INCOME BEFORE INCOME TAX	**8,303,049**	8,577,290	**35,634,224**	26,088,556
PROVISION FOR INCOME TAX	**1,260,167**	1,562,109	**4,808,574**	4,487,452
NET INCOME	**₱7,042,882**	₱7,015,181	**₱30,825,650**	₱21,601,104
NET INCOME ATTRIBUTABLE TO				
Equity holders of the Parent Company	**₱4,837,876**	₱4,958,871	**₱22,233,600**	₱14,797,723
Non-controlling interests	**2,205,006**	2,056,310	**8,592,050**	6,803,381
	₱7,042,882	₱7,015,181	**₱30,825,650**	₱21,601,104

	Quarters Ended September 30		Nine Months Ended September 30	
	2019	2018 (As restated)	**2019**	2018 (As restated)
NET INCOME	**₱7,042,882**	₱7,015,181	**₱30,825,650**	₱21,601,104
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX				
Item that may be reclassified subsequently to profit or loss:				
Cumulative translation adjustments	**1,901,498**	982,515	**2,713,540**	1,367,756
Net gains (losses) on financial assets at FVOCI (debt securities)	**(31,547)**	(525,996)	**1,331,220**	(383,631)
Net gains (losses) from cash flow hedges	**1,965**	(8,040)	**512**	3,712
Share in the net unrealized losses on financial assets at FVOCI (debt securities)	**21,580**	(59,625)	**149,026**	(114,725)
	1,893,496	388,854	**4,194,298**	873,112
Item that will not be reclassified subsequently to profit or loss:				
Net gains (losses) on financial assets at FVOCI (equity securities)	**(2,709,408)**	1,026,137	**165,259**	(2,288,821)
Remeasurements due to defined benefit liability, net of tax	**(8,490)**	(303)	**292**	(2,061)
Share in remeasurements of the net defined benefit liability of associates	**15,372**	(361,227)	**100,076**	(606,783)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	**(809,030)**	1,053,461	**4,459,925**	(2,024,553)
TOTAL COMPREHENSIVE INCOME	**₱6,233,852**	₱8,068,642	**₱35,285,575**	₱19,576,551
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Equity holders of the Parent Company	**₱3,118,737**	₱5,693,525	**₱25,049,681**	₱12,195,010
Non-controlling interests	**3,115,115**	2,375,117	**10,235,894**	7,381,541
	₱6,233,852	₱8,068,642	**₱35,285,575**	₱19,576,551
Earnings Per Share Attributable to Equity Holders of the Parent Company				
Basic/diluted earnings per share (Note 22)	**₱0.68**	₱0.69	**₱3.10**	₱2.07

See accompanying Notes to Consolidated Financial Statements.

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands)

	For the Nine Months Ended September 30, 2019 and 2018														
	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY														
	Paid-up Capital (Note 20)			**Retained Earnings**				**Other Comprehensive Income**							
	Capital Stock	Additional Paid-in Capital	Total Paid-up Capital	Unrestricted Retained Earnings	Restricted Retained Earnings	Total Retained Earnings	Equity Reserve	Cumulative Translation Adjustments	Net Unrealized Gains (Losses) on Financial Assets at FVOCI	Net Unrealized Losses on Cash Flow Hedge	Remeasurements of the Net Defined Benefit Liabilitiy	Total Other Comprehensive Income (Loss)	Total	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at January 1, 2019	**₱7,202,842**	**₱23,553,025**	**₱30,755,867**	**₱121,317,360**	**₱117,784,330**	**₱239,101,690**	**₱29,573,169**	**(₱538,393)**	**(₱22,647,670)**	**₱2,541**	**₱338,667**	**(₱22,844,855)**	**₱276,585,871**	**₱90,891,990**	**₱367,477,861**
Total comprehensive income (loss)	–	–	–	**22,233,600**	–	**22,233,600**	–	**1,486,464**	**1,233,967**	**(3,221)**	**98,871**	**2,816,081**	**25,049,681**	**10,235,894**	**35,285,575**
Cash dividends	–	–	–	**(2,665,052)**	–	**(2,665,052)**	–	–	–	–	–	–	**(2,665,052)**	–	**(2,665,052)**
Change in non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	–	–	**(6,021,520)**	**(6,021,520)**
Investment in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	**159,250**	**159,250**
Increase in subidiary's treasury shares	–	–	–	–	–	–	**(16,132)**	–	–	–	–	–	**(16,132)**	**(104,452)**	**(120,584)**
Balance at September 30, 2019	**₱7,202,842**	**₱23,553,025**	**₱30,755,867**	**₱140,885,908**	**₱117,784,330**	**₱258,670,238**	**₱29,557,037**	**₱948,071**	**(₱21,413,703)**	**(₱680)**	**₱437,538**	**(₱20,028,774)**	**₱298,954,368**	**₱95,161,162**	**₱394,115,530**
Balance at January 1, 2018	₱7,202,842	₱23,553,025	₱30,755,867	₱89,937,827	₱117,784,330	₱207,722,157	₱29,638,831	(₱1,302,515)	₱1,268,555	₱4,385	(₱249,925)	(₱279,500)	₱267,837,355	₱78,582,193	₱346,419,548
Total comprehensive income (loss)	–	–	–	14,797,723	–	14,797,723	–	838,570	(2,834,409)	2,051	(608,925)	(2,602,713)	12,195,010	7,381,541	19,576,551
Cash dividends	–	–	–	(2,160,853)		(2,160,853)	–	–	–	–	–	–	(2,160,853)	–	(2,160,853)
Change in non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	–	–	(3,504,313)	(3,504,313)
Issuance of shares by a subsidiary	–	–	–	–	–	–	(14,510)	–	–	–	–	–	(14,510)	(188,098)	(202,608)
Increase in subsidiary's treasury shares	–	–	–	–	–	–	(41,366)						(41,366)	7,787,219	7,745,853
Balance at September 30, 2018	₱7,202,842	₱23,553,025	₱30,755,867	₱102,574,697	₱117,784,330	₱220,359,027	₱29,582,955	(₱463,945)	(₱1,565,854)	₱6,436	(₱858,850)	(₱2,882,213)	₱277,815,636	₱90,058,542	₱367,874,178

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

	Nine Months Ended September 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱35,634,224**	₱26,088,555
Adjustments for:		
Depreciation and amortization	**22,137,565**	15,125,613
Market valuation losses (gains) on:		
Financial assets at fair value through profit or loss	**(694,191)**	1,031,762
Derivative instruments	**(67,261)**	(1,862,397)
Interest expense	**8,703,101**	6,624,182
Dividend income	**(1,330,500)**	(1,215,654)
Interest income	**(1,693,628)**	(1,215,364)
Equity in net earnings of associates and joint ventures	**(11,019,615)**	(7,811,154)
Foreign exchange losses (gains)	**953,891**	3,937,521
Loss (gain) on sale and retirement of property, plant and equipment	**217,551**	49,866
Loss (gain) on sale of financial assets at FVOCI	**(316,469)**	790
Provision for impairment losses on:		
Receivables	**50,366**	44,510
Goodwill, intangibles and other assets	**–**	17,580
Property, plant and equipment	**–**	60,710
Gains arising from changes in fair value less estimated costs to sell of swine stocks	**(21,176)**	(3,855)
Inventory obsolescence and market decline	**2,406**	6,754
Operating income before changes in working capital accounts	**52,556,264**	40,879,419
Changes in operating assets and liabilities:		
Decrease (increase) in the amounts of:		
Derivative financial instruments	**67,037**	704,365
Financial assets at fair value through profit or loss	**(304,273)**	721,189
Receivables	**(5,636,383)**	(11,782,100)
Inventories	**3,723,521**	(5,269,120)
Biological assets	**(457,564)**	(63,721)
Other current assets	**(1,281,004)**	(1,336,991)
Increase (decrease) in the amounts of:		
Accounts payable and accrued expenses	**(3,231,302)**	13,331,666
Unearned revenue	**836,639**	621,790
Other current liabilities	**(8,072,279)**	4,240,853
Net cash generated from operations	**38,200,656**	42,047,350
Interest paid	**(9,470,778)**	(7,225,019)
Interest received	**1,734,964**	1,057,101
Income taxes paid	**(4,656,159)**	(3,664,659)
Net cash provided by operating activities	**25,808,683**	32,214,773

(Forward)

	Nine Months Ended September 30	
	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment	**(₱30,311,705)**	(₱39,462,177)
Investment properties	**(6,551,747)**	(8,422,369)
Investments in associates and joint ventures (Note 14)	**(993,084)**	(902,523)
Intangible assets	**(88,499)**	(137,649)
Net decrease (increase) in the amounts of:		
Financial assets at FVOCI	**8,278,976**	7,798,805
Investment securities at amortized cost	**1,191,213**	(12,622,462)
Other noncurrent assets (Note 15)	**(760,653)**	(3,613,444)
Proceeds from sale of property, plant and equipment	**4,416,703**	4,647,150
Dividends received on investments in associates and joint ventures	**6,869,260**	5,912,109
Dividends received	**1,330,500**	1,215,654
Net cash used in investing activities	**(16,619,036)**	(45,586,906)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net availments (payments) of:		
Short-term debts	**12,059,395**	(18,094,216)
Long-term debts	**(10,868,688)**	22,025,526
Decrease in the amounts of:		
Other noncurrent liabilities (Note 19)	**(2,670,541)**	6,027,668
Non-controlling interests	**(6,021,520)**	(3,504,313)
Cash received from non-controlling interest for newly incorporated subsidiary	**159,250**	–
Purchase of subsidiary’s treasury shares	**(120,584)**	(202,608)
Dividends paid on common shares	**(2,650,252)**	(2,148,853)
Dividends paid on preferred shares	**(14,800)**	(12,000)
Net proceeds from stock rights offering of a subsidiary	**–**	7,745,853
Net cash provided by (used in) financing activities	**(10,127,740)**	11,837,057
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(938,093)**	(1,535,076)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**49,194,676**	54,336,295
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱48,256,583**	₱52,801,219

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

JG Summit Holdings, Inc. (the Parent Company) was incorporated in the Philippines on November 23, 1990 with a corporate term of 50 years from the date of incorporation. On May 8, 2014, the Board of Directors (BOD) of the Parent Company approved its amendment of Article Third of the Amended Articles of Incorporation to change the principal office address of the Parent Company from “Metro Manila, Philippines” to “43rd Floor, Robinsons-Equitable Tower, ADB Avenue corner Poveda Road, Pasig City” in accordance with Security and Exchange Commission Memorandum Circular No.6, Series of 2014.

The Parent Company, a holding company, is the ultimate parent of the JG Summit Group (the Group). The Group has business interests in branded consumer foods, agro-industrial and commodity food products, real property development, hotels, banking and financial services, telecommunications, petrochemicals, air transportation and power distribution.

The Group conducts business throughout the Philippines, but primarily in and around Metro Manila where it is based. The Group also has branded food businesses in the People’s Republic of China, in the Association of Southeast Asian Nations region, New Zealand and Australia and an interest in a property development business in Singapore.

The principal activities of the Group are further described in Note 6, *Segment Information*, to the consolidated financial statements.

2. Summary of Significant AccountingPolicies

Basis of Preparation
The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVPL), financial assets at fair value through other comprehensive income (FVOCI) and derivative financial instruments that are measured at fair value, and certain biological assets and agricultural produce that are measured at fair value less estimated costs to sell.

The consolidated financial statements of the Group are presented in Philippine peso (₱), the functional currency of the Parent Company. All values are rounded to the nearest peso except when otherwise stated.

A summary of the functional currencies of certain foreign subsidiaries within the Group follows:

Subsidiaries	Country of Incorporation	Functional Currency
Parent Company		
JG Summit Cayman Limited	Cayman Islands	Philippine Peso
JG Summit Philippines, Ltd. and Subsidiaries		
JG Summit Philippines, Ltd.	-do-	-do-
JGSH Philippines, Limited	British Virgin Islands	-do-
Telegraph Development, Ltd.	-do-	-do-
Summit Top Investment, Ltd.	-do-	-do-
JG Digital Capital Pte. Ltd (JGDCPL)	Singapore	Singapore Dollar
URC Group		
Universal Robina (Cayman), Limited	Cayman Islands	-do-
URC Philippines, Limited	British Virgin Islands	-do-
URC Asean Brands Co. Ltd.	-do-	US Dollar
Hong Kong China Foods Co. Ltd.	-do-	-do-
URC International Co., Ltd.	-do-	-do-
URC China Commercial Co. Ltd.	China	Chinese Renminbi
Xiamen Tongan Pacific Food Co., Ltd.	-do-	-do-
Shanghai Peggy Foods Co., Ltd.	-do-	-do-
Guangzhou Peggy Foods Co., Ltd.	-do-	-do-
Jiangsu Acesfood Industrial Co.	-do-	-do-
Shantou SEZ Shanfu Foods Co., Ltd.	-do-	-do-
URC (Thailand) Co., Ltd.	Thailand	Thai Baht
Siam Pattanasin Co., Ltd.	-do-	-do-
URC Foods (Singapore) Pte. Ltd.	Singapore	Singapore Dollar
Advanson International Pte. Ltd.	-do-	-do-
Acesfood Network Pte. Ltd.	-do-	-do-
Acesfood Holdings Pte. Ltd.	-do-	-do-
Acesfood Distributors Pte. Ltd.	-do-	-do-
PT URC Indonesia	Indonesia	Indonesian Rupiah
URC (Myanmar) Co. Ltd.	Myanmar	Myanmar Kyats
URC Hong Kong Company Limited	Hong Kong	Hong Kong Dollar
URC Vietnam Co., Ltd.	Vietnam	Vietnam Dong
URC Hanoi Company Limited	-do-	-do-
URC Central Co. Ltd.	-do-	-do-
Ricellent Sdn. Bhd.	Malaysia	Malaysian Ringgit
URC Snack Foods (Malaysia) Sdn. Bhd.	-do-	-do-
URC Oceania Company Ltd.	British Virgin Islands	US Dollar
URC New Zealand Holding Company Ltd.	New Zealand	New Zealand Dollar
URC New Zealand Finance Company Ltd.	-do-	-do-
Griffin's Foods Limited	-do-	-do-
Nice & Natural Limited	-do-	-do-
URC Australia Holding Company Ltd.	Australia	Australian Dollar
URC Australia Finance Company Ltd.	-do-	-do-
Consolidated Snacks Pty Ltd	-do-	-do-
Snack Brands Australia Partnership	-do-	-do-
RLC Group		
Robinsons (Cayman) Limited	Cayman Islands	US Dollar
RLC Resources Ltd	British Virgin Islands	-do-
Land Century Holdings, Ltd.	Hong Kong	Hong Kong Dollar
World Century Enterprise Ltd.	-do-	-do-
First Capital Development, Ltd	-do-	-do-
Chengdu Xin Yao Real Estate Development, Co. Ltd	China	Chinese Renminbi

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and the following wholly and majority owned subsidiaries:

Subsidiaries	Country of Incorporation	Principal place of business	Effective Percentage of Ownership 2019	2018
Food				
Universal Robina Corporation (URC) and Subsidiaries	Philippines*	8th floor Tera Tower Bridgetowne E. Rodriguez Jr., Ave (C5 Road) Ugong Norte, Quezon City	**55.25**	55.25
CFC Clubhouse Property, Inc. (CCPI).	-do-	CFC Bldg., E. Rodriguez Jr. Ave., Bagong Ilog, Pasig City	**–**	–
CFC Corporation	-do-	-do-	**55.25**	55.25
Bio-Resource Power Generation Corporation	-do-	Manjuyod, Negros Oriental	**55.25**	55.25
Nissin-URC	-do-	CFC Bldg., E. Rodriguez Jr. Ave., Bagong Ilog, Pasig City	**28.17****	28.17**
Calbee-URC, Inc (CURCI)	-do-	8th floor Tera Tower Bridgetowne E. Rodriguez Jr., Ave (C5 Road) Ugong Norte, Quezon City	**55.25**	55.25
Hunt - URC (HURC)	-do-	8th floor Tera Tower Bridgetowne E. Rodriguez Jr., Ave (C5 Road) Ugong Norte, Quezon City	**55.25**	55.25
URC Philippines, Limited (URCPL)	British Virgin Islands	Offshore Incorporations Limited, P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	**55.25**	55.25
URC International Co. Ltd. (URCICL) and Subsidiaries	-do-	-do-	**55.25**	55.25
Universal Robina (Cayman), Ltd. (URCL)	Cayman Islands	Maples and Calder, P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands, British West Indies	**55.25**	55.25
URC China Commercial Co., Ltd.	China	318 Shangcheng Road, Room 1417 Lian You Bldg., Pudong, Shanghai, China	**55.25**	55.25
Air Transportation				
CP Air Holdings, Inc. (CPAHI) and Subsidiaries	Philippines	2nd Floor, Doña Juanita Marquez Lim Building, Osmeña Boulevard, Cebu City	**100.00**	100.00
Cebu Air, Inc. (CAI) and Subsidiaries	-do-	-do-	**67.80**	67.64
Real Estate and Hotels				
Robinsons Land Corporation (RLC) and Subsidiaries	Philippines	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City	**60.97**	60.97
Robinson's Inn, Inc.	-do-	-do-	**60.97**	60.97
Robinsons Realty and Management Corporation	-do-	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City	**60.97**	60.97
Robinsons (Cayman) Limited	Cayman Islands	Maples and Calder, P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands	**60.97**	60.97
Robinsons Properties Marketing and Management Corporation	Philippines	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Artigas Center, Pasig City	**60.97**	60.97
Manhattan Buildings and Management Corp	-do-	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Artigas Center, Pasig City	**60.97**	60.97
Altus Angeles, Inc.	-do-	McArthur Highway, Balisage, Angeles City, Pampanga	**31.09****	31.09**
Altus San Nicolas Corporation	-do-	Bogy. 1 San Francisco, San Nicolas, I locos Norte	**60.97**	60.97
Go Hotels Davao, Inc.	-do-	Lanang, Davao City	**31.09****	31.09**
RLGB Land Corporation	-do-	Philippines	**31.09**	-
Altus Mall Ventures, Inc.	-do-	Philippines	**60.97**	60.97
Bonifacio Property Ventures,Inc.	-do-	-do-	**60.97**	60.97

(Forward)

Subsidiaries	Country of Incorporation	Principal place of business	Effective Percentage of Ownership 2019	2018
RLC Resources Ltd	BVI	British Virgin Islands	**60.97**	60.97
Land Century Holdings, Ltd.	Hong Kong	Hong Kong	**60.97**	60.97
World Century Enterprise Ltd.	Hong Kong	Hong Kong	**60.97**	60.97
First Capital Development, Ltd	Hong Kong	Hong Kong	**60.97**	60.97
Chengdu Xin Yao Real Estate Development Co. Ltd.	China	China	**60.97**	60.97
Bacoor R and F Land Corporation (BRFLC)	Philippines	Philippines	**42.68**	42.68
Petrochemicals				
JG Summit Petrochemical Corporation (JGSPC)	Philippines	Ground Floor, Cybergate Tower 1, EDSA corner, Pioneer Street, Mandaluyong City	**100.00**	100.00
JG Summit Olefins Corporation (JGSOC)	-do-	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City	**100.00**	100.00
Banking				
Robinsons Bank Corporation (RBC) and a Subsidiary	-do-	17th floor, Galleria Corporate Center EDSA corner Ortigas Avenue, Quezon City	**60.00**	60.00
Legazpi Savings Bank, Inc. (LSB)	-do-	Rizal Street, Barangay Sagpon, Albay, Legazpi City	**60.00**	60.00
Supplementary Businesses				
JG Digital Equity Ventures, Inc. and a Subsidiary	-do-	29th Floor, Galleria Corporate Center, EDSA, Quezon City	**100.00**	100.00
JG Digital Capital Pte. Ltd (JDCPL)	Singapore	168 Tagore Lane Singapore	**100.00**	100.00
JG Summit Capital Services Corp. (JGSCSC) and Subsidiaries	-do-	40th Floor, Robinsons-Equitable Tower, ADB Avenue corner Poveda Road, Ortigas Center, Pasig City	**100.00**	100.00
JG Summit Capital Markets Corporation (JGSMC)	-do-	-do-	**100.00**	100.00
Summit Internet Investments, Inc.	-do-	-do-	**100.00**	100.00
JG Summit Cayman, Ltd. (JGSCL)	Cayman Islands	Maples and Calder, P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands	**100.00**	100.00
JG Summit Philippines Ltd. (JGSPL) and Subsidiaries	-do-	-do-	**100.00**	100.00
JGSH Philippines, Limited	British Virgin Islands	Offshore Incorporations Limited, P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	**100.00**	100.00
Telegraph Development, Ltd.	-do-	-do-	**100.00**	100.00
Summit Top Investment, Ltd.	-do-	-do-	**100.00**	100.00
Unicon Insurance Brokers Corporation (UIBC)	Philippines	CFC Bldg., E. Rodriguez Avenue, Bagong Ilog, Pasig City	**100.00**	100.00
JG Summit Infrastrure Holdings Corporation	-do-	43rd Floor Robinsons Equitable Tower, ADB avenue, Corner Poveda Road, Pasig City	**100.00**	100.00
Merbau Corporation	-do-	Ground floor Cybergate Tower 1 Edsa cor Pioneer St. Mandaluyong City	**100.00**	100.00
Batangas Agro-Industrial Development Corporation (BAID) and Subsidiaries	-do-	5th Floor Citibank Center, Makati	**100.00**	100.00
Fruits of the East, Inc.	-do-	Citibank Center, Paseo de Roxas, Makati	**100.00**	100.00
Hometel Integrated Management Corporation	-do-	-do-	**100.00**	100.00
King Leader Philippines, Inc.	-do-	5th Floor Citibank Center, Makati	**100.00**	100.00
Tropical Aqua Resources	-do-	-do-	**100.00**	100.00
United Philippines Oil Trading, Inc.	-do-	-do-	**100.00**	100.00
Samar Commodities Trading and Industrial Corporation	-do-	-do-	**100.00**	100.00

* *Certain subsidiaries are located in other countries, such as China, Malaysia, Singapore, Thailand, Vietnam, etc.*
** *These are majority-owned subsidiaries of the Parent Company's directly-owned subsidiaries.*

Merger of CCPI
On March 10, 2015 and May 27, 2015, the BOD and stockholders of URC, respectively, approved the plan to merge CCPI with URC. On April 25, 2017 and June 28, 2017, the BOD and stockholders of URC, approved the revised Plan of Merger and Articles of Merger between CCPI and URC. On April 24, 2018, the SEC approved the merger.

Sale of LPBLI
On April 20, 2018, the BOD of RLC approved the sale of RLC's 80% share in LPBLI to Gran Cruiser Bus Corp.

Acquisition of CURCI and HURC
In September 2018, URC entered into separate share purchase agreements with its joint venture partners, Calbee, Inc., to sell the latter's 50% equity interest in CURCI. As a result of the sale, CURCI became a wholly-owned subsidiary of URC.

RLGB Land Corporation
On June 7, 2019, RLGB Land Corporation was incorporated as the joint venture company (JVC) between RLC and Gokongwei Brothers Foundation, Inc.. RLGB Land Corporation shall purchase, lease, and develop real properties.

The Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

PFRS 10, prescribes guidance on the consolidation of SPE. Under PFRS 10, special purpose entities (SPE) should be consolidated when the substance of the relationship between the company and the SPE indicates that the SPE is controlled by the company. Control over an entity may exist when one entity is exposed, or has the rights to variable returns from its involvement with the SPE and has the ability to affect those returns through its power over the SPE. In accordance with PFRS 10, the Group's consolidated financial statements include the accounts of SPEs namely: Boracay Leasing Limited (BLL), Surigao Leasing Limited (SLL), Panatag One Aircraft Leasing Limited (POALL), Panatag Two Aircraft Leasing Limited (PTALL), Panatag Three Aircraft Leasing Limited (PTHALL), Summit C Aircraft Leasing Limited (SCALL), Tikgi One Aviation Designated

Activity Company (TOADAC), Summit D Aircraft Leasing Limited (SDALL) and CAI Limited (CL). BLL, SLL, POALL, PTALL and PTHALL are SPEs in which the Group does not have equity interest. BLL, SLL, POALL, PTALL, PTHALL, SCALL, TOADAC, SDALL and CL acquired the passenger aircraft for lease to CAI under finance lease arrangements and funded the acquisitions through long-term debt.
In April 2018, Cebu Aircraft Leasing Limited (CALL) and Sharp Aircraft Leasing Limited (SALL) were dissolved due to the sale of aircraft to third parties.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

All intragroup transactions, balances, income and expenses are eliminated in the consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, non-controlling interests consist of the amount attributed to such interests at initial recognition and the non-controlling interest's share of changes in equity since the date of the combination.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Group.

If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;
- derecognizes the related other comprehensive income recorded in equity and recycles the same to profit or loss or retained earnings;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained; and
- recognizes any surplus or deficit in profit or loss in the consolidated statement of comprehensive income.

<u>Business Combinations</u>
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss in the consolidated statement of comprehensive income as incurred.

Where appropriate, the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant PFRS. Changes in the fair value of contingent consideration classified as equity are not recognized.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that if known, would have effected the amounts recognized as of that date. The measurement period is the period from the date of acquisition to the date the Group receives complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum period of one year.

If the business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (the date the Group attains control) and the resulting gain or loss, if any, is recognized in profit or loss in the consolidated statement of comprehensive income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss in the consolidated statement of comprehensive income, where such treatment would be appropriate if that interest were disposed of.

Goodwill

Goodwill arising on the acquisition of a subsidiary is recognized as an asset at the date the control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held interest, if any, in the entity over the net fair value of the identifiable net assets recognized.

If after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest, if any, the excess is recognized immediately in profit or loss in the consolidated statement of comprehensive income as a bargain purchase gain.

Goodwill is not amortized, but is reviewed for impairment at least annually. Any impairment loss is recognized immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards and amendments effective as of January 1, 2019. The Group did not early adopt any other standard, interpretation or amendment that has been issued but is not yet effective.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  PFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

Revenue under milling contracts
With the effectivity of PFRS 15 on January 1, 2018, as approved by the Financial Reporting Standards Council (FRSC), the Philippine Interpretations Committee (PIC) issued PIC Q&A 2019-3, *Revenue Recognition Guidance for Sugar Millers*, to assist the companies operating in the sugar industry in the adoption of PFRS 15. The interpretation states that a miller should recognize revenue arising from its sugar milling operation under either an output sharing agreement or cane purchase agreement, and that providing free storage constitutes a separate performance obligation in the case of an output sharing agreement.

In response to concerns raised by the sugar industry on the implementation and adoption of the PIC Q&A, the SEC issued MC No. 06 on April 4, 2019, deferring the application of the provisions of the above-mentioned PIC Q&A for a period of one (1) year.

Effective January 1, 2019, the Philippine sugar millers will adopt PIC Q&A No. 2019-3 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

The Group availed of the deferral of adoption of the above specific provisions. Had these provisions been adopted, it would have affected retained earnings as at January 1, 2018 and revenue from milling, cost of sales, cost of milling and raw sugar inventories for 2018. Currently, revenue is recognized upon sale of raw sugar arising from the output sharing agreements.

With the deferral of the implementation of certain provisions of PIC Q&A 2019-3, the adoption of PFRS 15 did not have any significant impact to the consolidated financial statements.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

  The Group is currently assessing the impact of the amendments.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group adopted PFRS 16 using the modified retrospective method with the date of initial application of January 1, 2019. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to outstanding contracts as at January 1, 2019 and has not restated the comparative information, which continues to be reported under PAS 17.

The Group also elects to use the exemptions provided by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

At the date of the initial application, the Group used on average of 2.6% incremental borrowing rate to measure lease liabilities.

As of January 1, 2019, the Group recognized right-of-use assets with corresponding lease liability of ₱35.54 billion.

As of September 30, 2019, right-of-use assets amounted to ₱38.62 billion while lease liability amounted to ₱40.2 billion. Accounts payable and accrued expenses, other noncurrent liabilities and cumulative translation adjustment also increased by ₱5.6 billion, ₱32.99 billion and ₱315.7 million, respectively. Other current assets, other noncurrent assets, and long-term debt decreased by ₱67.7 million, ₱431.7 million and ₱5.8 billion, respectively.

For the period ended September 30, 2019, the impact of the adoption on expenses is to decrease cost of sales by ₱5.5 million, rent expense by ₱5.0 billion and general and administrative expenses by ₱182.6 million, consequently increasing depreciation by ₱4.8 billion and interest expense by ₱820.9 million. Foreign exchange gains and benefit from deferred income tax also increased by ₱33.6 million and ₱26.7 million, respectively.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

These amendments are not expected to have any significant impact on the consolidated financial statements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The Group is currently assessing the impact of adopting this interpretation.

- *Annual Improvements to PFRSs 2015-2017 Cycle*

  - Amendments to PFRS 3, *Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation*
    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at FairValue. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1,2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
    The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of

dividends in consolidated statement of income, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted.

These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*
  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.

Significant Accounting Policies

<u>Fair Value Measurement</u>
For measurement and disclosure purposes, the Group determines the fair value of an asset or liability at initial measurement or at each statement of financial position date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Foreign Currency Translation

The Group's consolidated financial statements are presented in Philippine peso, which is also the Parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities in their respective functional currencies at the foreign exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated using the closing foreign exchange rate prevailing at the reporting date. All differences are charged to profit or loss in the consolidated statement of comprehensive income. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in statement of income.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the dates of initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Group companies

As of reporting date, the assets and liabilities of foreign subsidiaries, with functional currencies other than the functional currency of the Parent Company, are translated into the presentation currency of the Group using the closing foreign exchange rate prevailing at the reporting date, and their respective income and expenses are translated at the monthly weighted average exchange rates for the year. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation shall be recognized in profit or loss.

Cash and Cash Equivalents

Cash represents cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the dates of placement, and that are subject to an insignificant risk of changes in value.

Financial Instruments - Classification and Measurement

Classification of financial assets

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group's business model for managing the financial assets. The Group classifies its financial assets into the following measurement categories:

- financial assets measured at amortized cost;
- financial assets measured at fair value through profit or loss;
- financial assets measured at fair value through other comprehensive income, where cumulative gains or losses previously recognized are reclassified to profit or loss; and
- financial assets measured at fair value through other comprehensive income, where cumulative gains or losses previously recognized are not reclassified to profit or loss.

Contractual cash flows characteristics

If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding. Instruments that do not pass this test are automatically classified at FVPL.

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time.

Business model
The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument, rather it refers to how it manages its financial assets in order to generate cash flows.

The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the portfolio and the financial assets held within that portfolio are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the portfolio (and the financial assets held within that portfolio) and how these risks are managed and how managers of the business are compensated.

Investment securities at amortized cost
A debt financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the Effective Interest Rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the consolidated statement of comprehensive income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in 'Impairment losses' in the consolidated statement of comprehensive income.

Financial assets at fair value through other comprehensive income (FVOCI)
Financial assets at FVOCI include debt and equity securities. After initial measurement, investment securities at AFVOCI are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of financial assets at FVOCI are excluded, net of tax as applicable, from the reported earnings and are included in the statements of comprehensive income as 'Fair value reserves on financial assets at FVOCI.'

Debt securities at FVOCI are those that meet both of the following conditions: (i) the asset is held within a business model whose objective is to hold the financial assets in order to both collect contractual cash flows and sell financial assets; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. The effective yield component of debt securities at FVOCI, as well as the impact of restatements on foreign currency-denominated debt securities at FVOCI, is reported in the statements of income. Interest earned on holding debt securities at debt securities at FVOCI are reported as interest income using the effective interest method. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in the statements of comprehensive income is recognized in profit or loss. The ECL arising from impairment of such investments are recognized in OCI with a corresponding charge to 'Provision for credit and impairment losses' in the statements of income.

Equity securities designated at FVOCI are those that the Group made an irrevocable election to present in OCI the subsequent changes in fair value. Dividends earned on holding equity securities at FVOCI are recognized in the statements of income as 'Dividend income' when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the statements of comprehensive income is reclassified to 'Retained earnings' or any other appropriate equity account upon disposal. Equity securities at FVOCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss (FVTPL)
Financial assets are measured at FVTPL unless these are measured at amortized cost or at FVOCI. Included in this classification are equity and debt investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the statement of income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statement of comprehensive income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of debt instruments classified as FVOCI and investments securities at amortized cost.

Classification of financial liabilities
Financial liabilities are measured at amortized cost, except for the following:

- financial liabilities measured at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3, B*usiness Combinations.*

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income with the remainder recognized in profit or loss unless it will create or enlarge an accounting mismatch.

Reclassifications of financial instruments
The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated.

<u>Impairment of financial assets</u>
PFRS 9 requires the Group to record ECL for all loans and other debt financial assets not classified as at FVPL, together with loan commitments and financial guarantee contracts.

Incurred loss versus expected credit loss methodology
The impairment requirements under PAS 39 (incurred loss model) are significantly different from those under PFRS 9 (expected loss model). Under the incurred loss model, loan and investment assets are regarded as impaired if there is no longer reasonable assurance that the future cash flows related to them will be either collected in their entirety or when due. Under the expected loss methodology, impairment is more forward looking, in that a credit event (or impairment 'trigger') no longer has to occur before credit losses are recognized. ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances will be measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

Staging assessment
PFRS 9 establishes a three-stage approach for impairment of financial assets, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognized.

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all financial instruments which have not experienced a SICR since initial recognition or is considered of low credit risk as of the reporting date. The Group recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all financial instruments which have experienced a SICR since initial recognition. The Group recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Stage 3 is comprised of all financial assets that have objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The Group recognizes a lifetime ECL for Stage 3 financial instruments.

Definition of "default" and "restored"
The Group eventually classifies a financial instrument as in default when it is credit impaired, or becomes past due on its contractual payments for more than 90 days. As part of a qualitative assessment of whether a customer is in default, the Group considers a variety of instances that may indicate unlikeliness to pay. In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted.

An instrument is considered to be no longer in default (i.e. restored) if there is sufficient evidence to support that full collection is probable and payments are received for at least six months.

Credit risk at initial recognition
The Group uses internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment can be quantitative or qualitative and depends on the materiality of the facility or the complexity of the portfolio to be assessed.

Significant increase in credit risk
The assessment of whether there has been a significant increase in credit risk is based on an increase in the probability of a default occurring since initial recognition. The SICR criteria vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's internal credit assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit weaknesses. For exposures without internal credit grades, if contractual payments are more than a specified days past due threshold, the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Group shall revert to recognizing a 12-month ECL.

ECL parameters and methodologies
ECL is a function of the probability of default (PD), loss given default (LGD) and exposure at default (EAD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The PD is an estimate of the likelihood of default over a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual instrument is modelled based on historic data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Group segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Forward-looking information
The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as GDP growth, exchange rate, interest rate, inflation rate and other economic indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

For the trade receivables of other segments of the Group, the standard's simplified approach was applied where ECLs are calculated based on lifetime expected credit losses. Therefore, the Group does not track changes in credit risk of these receivables, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For cash and cash equivalents and short-term investments, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

<u>Hedge Accounting</u>
The new hedge accounting model under PFRS 9 aims to simplify hedge accounting, align the accounting for hedge relationship more closely with an entity's risk management activities and permit hedge accounting to be applied more broadly to a greater variety of hedging instruments and risks eligible for hedge accounting. At the date of initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships.

Beginning January 1, 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:
- there is 'an economic relationship' between the hedged item and the hedging instrument;
- the effect of credit risk does not 'dominate the value changes' that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

<u>Inventories</u>
Inventories, including work-in-process, are valued at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. NRV for materials, spare parts and other supplies represents the related replacement costs. In determining the NRV, the Group deducts from cost 100.0% of the carrying value of slow-moving items and nonmoving items for more than one year.

When inventories are sold, the carrying amounts of those inventories are recognized under 'Cost of sales and services' in profit or loss in the period when the related revenue is recognized.

Some inventories may be allocated to other asset accounts, for example, inventory used as a component of a self-constructed property, plant or equipment. Inventories allocated to another asset in this way are recognized as an expense during the useful life of that asset.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Finished goods, work-in-process, raw materials and packaging materials

a. *Petrochemicals*
   Cost is determined using the FIFO costing method. Under this method, items that are purchased first or are produced first are sold first and items remaining at the end of the period are those most recently purchased or produced. Cost of finished goods and work-in-process includes direct materials and labor and a proportion of manufacturing overhead costs based on actual goods processed and produced.

b. *Branded consumer foods, agro-industrial and commodity food products*
   Cost is determined using the weighted average method. Under the weighted average costing method, the cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period and the cost of similar items purchased or produced during the period. Cost of finished goods and work-in-process include direct materials and labor and a proportion of manufacturing overhead costs based on actual goods processed and produced, but excluding borrowing costs.

Subdivision land and condominium and residential units for sale
Subdivision land, condominium and residential units for sale in the ordinary course of business are carried at the lower of cost and NRV. Cost includes land costs, costs incurred for development and improvement of the properties and borrowing costs on loans directly attributable to the projects which were capitalized during construction.

NRV is the estimated selling price in the ordinary course of business less cost of completion and estimated costs necessary to make the sale.

The cost of inventory recognized in the consolidated statement of comprehensive income is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Factory supplies and spare parts
Cost is determined using the weighted average method.

Investments in Associates and Joint Ventures
Associates pertain to all entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. In the consolidated financial statements, investment in associates is accounted for under the equity method of accounting.

The Group also has interests in joint ventures. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

The Group's investments in its associates and joint ventures are accounted for using the equity method of accounting. Under the equity method, the investments in associates and joint ventures are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the associates and joint ventures. The consolidated statement of comprehensive income reflects the share of the results of operations of the associates and joint ventures. Where there has been a change recognized in the investees' other comprehensive income, the Group recognizes its share of any changes and discloses this, when applicable, in the other comprehensive income. Profits and losses arising from transactions between the Group and the associate are eliminated to the extent of the interest in the associates and joint ventures.

The Group's investments in certain associates and joint ventures include goodwill on acquisition, less any impairment in value. Goodwill relating to an associate or joint venture is included in the carrying amount of the investment and is not amortized.

Where necessary, adjustments are made to the financial statements of associates to bring the accounting policies used in line with those used by the Group.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Investment Properties
Investment properties consist of properties that are held to earn rentals or for capital appreciation or both, and those which are not occupied by entities in the Group. Investment properties, except for land, are carried at cost less accumulated depreciation and impairment loss, if any. Land is carried at cost less impairment loss, if any. Investment properties are measured initially at cost, including transaction costs. Transaction costs represent nonrefundable taxes such as capital gains tax and documentary stamp tax that are for the account of the Group. An investment property acquired through an exchange transaction is measured at the fair value of the asset acquired unless the fair value of such an asset cannot be measured, in which case the investment property acquired is measured at the carrying amount of the asset given up. Foreclosed properties are classified under investment properties upon: a) entry of judgment in case of judicial foreclosure; b) execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or c) notarization of the Deed of Dacion in case of dation in payment (dacion en pago).

The Group's investment properties are depreciated using the straight-line method over their estimated useful lives (EUL) as follows:

Land improvements	5 to 10 years
Buildings and improvements	10 to 30 years

The depreciation and amortization method and useful life are reviewed periodically to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of investment properties.

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in profit or loss in the consolidated statement of comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under 'Property, plant and equipment' up to the date of change in use.

Construction in-progress is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of investment properties are capitalized during the construction period. Construction in-progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Property, Plant and Equipment

Property, plant and equipment, except land which is stated at cost less any impairment in value, are carried at cost less accumulated depreciation, amortization and impairment loss, if any.

The initial cost of property, plant and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost also includes: (a) interest and other financing charges on borrowed funds used to finance the acquisition of property, plant and equipment to the extent incurred during the period of installation and construction; and (b) asset retirement obligation (ARO) relating to property, plant and equipment installed/constructed on leased properties or leased aircraft.

Subsequent replacement costs of parts of property, plant and equipment are capitalized when the recognition criteria are met. Significant refurbishments and improvements are capitalized when it can be clearly demonstrated that the expenditures have resulted in an increase in future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond the originally
assessed standard of performance. Costs of repairs and maintenance are charged as expense when incurred.

Foreign exchange differentials arising from the acquisition of property, plant and equipment are charged against profit or loss in the consolidated statement of comprehensive income and are no longer capitalized.

Depreciation and amortization of property, plant and equipment commences once the property, plant and equipment are available for use, and are computed using the straight-line method over the EUL of the assets, regardless of utilization.

The EUL of property, plant and equipment of the Group follow:

	EUL
Land and improvements	10 to 40 years
Buildings and improvements	10 to 30 years
Machinery and equipment	4 to 50 years
Leasehold improvements	15 years
Passenger aircraft	15 years
Other flight equipment	5 years
Transportation, furnishing and other equipment	3 to 5 years

Leasehold improvements are amortized over the shorter of their EULs or the corresponding lease terms.

The assets' residual values, useful lives and methods of depreciation and amortization are reviewed periodically to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Any change in the expected residual values, useful lives and methods of depreciation are adjusted prospectively from the time the change was determined necessary.

Construction in-progress is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period. Construction in-progress is not depreciated until such time as the relevant assets are completed and put into operational use. Assets under construction are reclassified to a specific category of property, plant and equipment when the construction and other related activities necessary to prepare the properties for their intended use are completed and the properties are available for use.

Major spare parts and stand-by equipment items that the Group expects to use over more than one period and can be used only in connection with an item of property, plant and equipment are accounted for as property, plant and equipment. Depreciation and amortization on these major spare parts and stand-by equipment commence once these have become available for use (i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Group).

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the consolidated statement of comprehensive income, in the year the item is derecognized.

ARO

The Group is contractually required under various lease contracts to either restore certain leased aircraft to its original condition at its own cost or to bear a proportionate cost of restoration at the end of the contract period. The event that gives rise to the obligation is the actual flying hours, flying cycles or calendar months of the asset as used, as the usage determines the timing and nature of the overhaul and restoration work required or the amount to be contributed at the end of the lease term. For certain lease agreements, the Group provides for these costs over the terms of the leases through contribution to a maintenance reserve fund (MRF) which is recorded as outright expense. If the estimated cost of restoration is expected to exceed the cumulative MRF, an additional obligation is accounted on an accrual basis. Regular aircraft maintenance is accounted for as expense when incurred.

If there is a commitment related to maintenance of aircraft held under operating lease arrangements, a provision is made during the lease term for the lease return obligations specified within those lease agreements. The provision is made based on historical experience, manufacturers' advice and if relevant, contractual obligations, to determine the present value of the estimated future major airframe inspections cost and engine overhauls.

Advance payment for materials for the restoration of the aircraft is initially recorded under 'Advances to supplier' account in the consolidated statement of financial position. This is recouped when the expenses for restoration of aircraft have been incurred.

The Group regularly assesses the provision for ARO and adjusts the related liability.

Borrowing Costs

Interest and other finance costs incurred during the construction period on borrowings used to finance property development are capitalized to the appropriate asset accounts. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress, and expenditures and borrowing costs are being incurred. The capitalization of these borrowing costs ceases when substantially all the activities necessary to prepare the asset for sale or its intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on the applicable weighted average borrowing rate for general borrowings. For specific borrowings, all borrowing costs are eligible for capitalization.

Borrowing costs which do not qualify for capitalization are expensed as incurred.

Interest expense on loans is recognized using the effective interest method over the term of the loans.

<u>Biological Assets</u>
The biological assets of the Group are divided into two major categories with sub-categories as follows:

Swine livestock	-	Breeders (livestock bearer)
	-	Sucklings (breeders' offspring)
	-	Weanlings (comes from sucklings intended to be breeders or to be sold as fatteners)
	-	Fatteners/finishers (comes from weanlings unfit to become breeders; intended for the production of meat)
Poultry livestock	-	Breeders (livestock bearer)
	-	Chicks (breeders' offspring intended to be sold as breeders)

Biological assets are measured on initial recognition and at each reporting date at its fair value less estimated costs to sell, except for a biological asset where fair value is not clearly determinable. The fair values are determined based on current market prices of livestock of similar age, breed and genetic merit. Costs to sell include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market.

Agricultural produce is the harvested product of the Group's biological assets. A harvest occurs when agricultural produce is either detached from the bearer biological asset or when a biological asset's life processes cease. A gain or loss arising on initial recognition of agricultural produce at fair value less estimated costs to sell is recognized in the consolidated statement of income in the period in which it arises. The agricultural produce in swine livestock is the suckling that transforms into weanling then into fatteners/finishers, while the agricultural produce in poultry livestock is the hatched chick and table eggs.

A gain or loss on initial recognition of a biological asset at fair value less estimated costs to sell and from a change in fair value less estimated costs to sell of a biological asset are included in the consolidated statement of income in the period in which it arises.

<u>Goodwill</u>
Goodwill acquired in a business combination from the acquisition date is allocated to each of the Group's cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Group's operating segments as determined in accordance with PFRS 8, *Operating Segments*.

Following initial recognition, goodwill is measured at cost, less any accumulated impairment loss. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired (see Impairment of Nonfinancial Assets).

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

<u>Bank Licenses</u>
Bank licenses arise from the acquisition of branches of a local bank by the Group and commercial bank license. The Group's bank licenses have indefinite useful lives and are subject to annual individual impairment testing.

<u>Intangible Assets</u>
Intangible assets (other than goodwill) acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the acquisition date. Following initial recognition, intangible assets are measured at cost less any accumulated amortization and impairment loss, if any.

The EUL of intangible assets are assessed to be either finite or indefinite.

The useful lives of intangible assets with finite lives are assessed at the individual asset level. Intangible assets with finite lives are amortized on a straight-line basis over their useful lives.

The period and the method of amortization of an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the EUL or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized under 'Cost of sales and services' and 'General and administrative expenses' in profit or loss in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible asset. Intangible assets with finite lives are assessed for impairment, whenever there is an indication that the intangible assets may be impaired.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level (see further discussion under Impairment of Nonfinancial Assets). Such intangibles are not amortized. The intangible asset with an indefinite useful life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If the indefinite useful life is no longer appropriate, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Costs incurred to acquire computer software (which are not an integral part of its related hardware) and costs to bring it to its intended use are capitalized as intangible assets. Costs directly associated with the development of identifiable computer software that generate expected future benefits to the Group are also recognized as intangible assets. All other costs of developing and maintaining computer software programs are recognized as expense when incurred.

A gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset and is recognized in profit or loss in the consolidated statement of comprehensive income when the asset is derecognized.

A summary of the policies applied to the Group's intangible assets follows:

	Technology Licenses	Licenses	Product Formulation and Brands	Software Costs	Customer Relationship	Trademarks
EUL	Finite (12 to 13.75 years)	Indefinite	Indefinite	Finite (5 years)	Finite (35 years)	Indefinite
Amortization method used	Amortized on a straight-line basis over the EUL of the license	No amortization	No amortization	Amortized on a straight-line basis over the EUL of the software cost	Straight line amortization	No amortization
Internally generated or acquired	Acquired	Acquired	Acquired	Acquired	Acquired	Acquired

Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Group's 'Investments in associates and joint ventures', 'Investment properties', 'Property, plant and equipment', 'Biological assets at cost' , 'Intangible assets' , 'Goodwill' and 'Deferred subscriber acquisition and retention costs'.

Except for goodwill and intangible assets with indefinite lives which are tested for impairment annually, the Group assesses at each reporting date whether there is an indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written-down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

Impairment losses from continuing operations are recognized under 'Impairment losses and others' in profit or loss.

The following criteria are also applied in assessing impairment of specific assets:

Property, plant and equipment, investment properties, intangible assets with definite useful lives and costs

For property, plant and equipment, investment properties, intangible assets with definite useful lives, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the consolidated statement of comprehensive income. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill
Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

The Group performs its impairment test of goodwill every reporting date.

Investments in associates and joint ventures
After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investments in associates and joint ventures. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount under 'Impairment losses and others' in profit or loss.

Intangible assets with indefinite useful lives
Intangible assets with indefinite useful lives are tested for impairment annually as of year-end either individually or at the cash-generating unit level, as appropriate.

Equity
Common and preferred stocks are classified as equity and are recorded at par. Proceeds in excess of par value are recorded as 'Additional paid-in capital' in the consolidated statement of changes in equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Retained earnings represent the cumulative balance of periodic net income/loss, dividend distributions, prior period adjustments and effect of changes in accounting policy and capital adjustments.

Treasury Shares
Treasury shares are recorded at cost and are presented as a deduction from equity. When the shares are retired, the capital stock account is reduced by its par value. The excess of cost over par value upon retirement is debited to the following accounts in the order given: (a) additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued, and (b) retained earnings. No gain or loss is recognized in profit or on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Significant Accounting Policies Generally Applicable to Foods, Agro-Industrial and Commodities and Petrochemicals

Revenue Recognition (Upon adoption of PFRS 15 beginning January 1, 2018)
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects

to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer.

Sales of goods
Revenue from sale of goods and services is recognized at the point in time when control of the goods or services is transferred to the customer, generally on delivery of the goods. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods and services, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer, if any.

Sale of sugar
Sale of raw sugar is recognized upon (a) endorsement and transfer of quedans for quedan-based sales and (b) shipment or delivery and acceptance by the customers for physical sugar sales. Sale of refined sugar and alcohol is recognized upon shipment of delivery and acceptance by the customers. Sale of molasses warehouse receipts, which represents ownership title over the molasses inventories.

Rendering of tolling services
Revenue derived from tolling activities is recognized as revenue at a point in time when the related services have been rendered.

Significant Accounting Policies Generally Applicable to Air Transportation

<u>Revenue Recognition (Upon adoption of PFRS 15 beginning January 1, 2018)</u>
Revenue from contracts with passengers and cargo customers, and any related revenue from services incidental to the transportation of passengers, is recognized when carriage is provided or when the passenger is lifted in exchange for an amount that reflects the consideration to which the Group expects to be entitled to.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of air transportation services
Passenger ticket and cargo waybill sales are initially recorded as contract liabilities under 'Unearned transportation revenue' account in the consolidated statement of financial position until earned and recognized under 'Revenue' account in the consolidated statement of comprehensive income when carriage is provided or when the passenger is lifted or flown.

Prior to the adoption of PFRS 15, passenger ticket and cargo waybill sales, excluding portion relating to awards under Lifestyle Rewards Program, are initially recorded under 'Unearned transportation revenue' account in the consolidated statement of financial position until earned and recognized under 'Revenue' account in the consolidated statement of comprehensive income when carriage is provided or when the passenger is lifted.

Flight and booking services
Revenue from services incidental to the transportation of passengers such as excess baggage, inflight sales and rebooking and website administration fees are initially recognized as contract liabilities under 'Unearned transportation revenue' account in the consolidated statement of financial position until the services are rendered.

Before the adoption of PFRS 15, ancillary fees (that is, baggage and booking fees) are recognized at the time of booking.
Other ancillary revenue
Other revenue such as refund surcharges, service income and cancellation fees are recognized when the services are provided.

Liability under Lifestyle Rewards Program
The Group operates a lifestyle rewards program called 'Getgo'. A portion of passenger revenue attributable to the award of Getgo points, which is estimated based on expected utilization of these benefits, is deferred until utilized. The fair value of the consideration received in respect of the initial sale is allocated to the award credits based on its fair value. The deferred revenue is included under 'Other noncurrent liabilities' account in the consolidated statement of financial position. Any remaining unutilized benefits are recognized as revenue upon redemption or expiry.

There have been no changes in the accounting policy on the deferral and subsequent recognition of passenger revenue related to the award of Getgo points as effect of the adoption of PFRS 15.

Significant Accounting Policies Generally Applicable to Real Estate and Hotels

<u>Revenue Recognition (Upon adoption of PFRS 15 beginning January 1, 2018)</u>

Revenue from Contract with Customers
The Group primarily derives its real estate revenue from the sale of vertical and horizontal real estate projects. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the provisioning of water, electricity, and common use service area in its mall retail spaces, wherein it is acting as agent.

The following specific recognition criteria must also be met before revenue is recognized:

Real estate sales – Philippines Operations – Performance obligation is satisfied over time
The Group derives its real estate revenue from sale of lots, house and lot and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses input method. Input methods recognize revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation. Progress is measured based on actual resources consumed such as materials, labor hours expended and actual overhead incurred relative to the total expected inputs to the satisfaction of that performance obligation, or the total estimated development costs of the real estate project. The Group uses the cost accumulated by the accounting department to determine the actual resources used. Input method exclude the effects of any inputs that do not depict the entity's performance in transferring control of goods or services to the customer.

Estimated development costs of the real estate project include costs of land, land development, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as residential and development receivables, under trade receivables, is included in the "contract asset" account in the asset section of the consolidated statement of financial position.

Any excess of collections over the total of recognized trade receivables and contract assets is included in the "contract liabilities" account in the liabilities section of the consolidated statement of financial position.

Real estate sales – Philippines Operations – Performance obligation is satisfied at a point in time
The Group also derives real estate revenue from sale of parcels of raw land. Revenue from the sale of these parcels of raw land are recognized at a point in time (i.e., upon transfer of control to the buyer) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use but the Group does not have an enforceable right to payment for performance completed to date. The Group is only entitled to payment upon delivery of the land to the buyer and if the contract is terminated, the Group has to return all payments made by the buyer.

Real estate sales – China Operations
Taking into account the contract terms per house purchase and sales contract, Chengdu Xin Yao's business practice and the legal and regulatory environment in China, most of the property sales contracts in China do not meet the criteria for recognizing revenue over time and therefore, revenue from property sales continues to be recognized at a point in time, while some property sales contracts meet the criteria for recognizing revenue over time as the properties have no alternative use to the Group due to contractual reasons and the Group has an enforceable right to payment from customer for performance completed to date. Under PFRS 15, revenue from property sales is generally recognized when the property is accepted by the customer, or deemed as accepted according to the contract, whichever is earlier, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

Rental income
The Group leases its commercial and office real estate properties to others through operating leases. Rental income on leased properties is recognized on a straight-line basis over the lease term and may include contingent rents based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract. Contingent rents are recognized as revenue in the period in which they are earned.

Amusement income
Revenue is recognized upon rendering of services or at a point in time.

Revenue from hotel operations
Revenue from hotel operations is recognized when services are rendered or at a point in time. Revenue from banquets and other special events are recognized when the events take place or at a point in time. Rental income on leased areas of the hotel is recognized on a straight-line basis over the lease term. Revenue from food and beverage are recognized when these are served. Other income from transport, laundry, valet and other related hotel services are recognized when services are rendered.

Interest income
Interest income is recognized as the interest accrues using the effective interest rate (EIR) method.

Other income
Other income is recognized when earned.

Costs Recognition (Upon adoption of PFRS 15 beginning January 1, 2018)
Cost of Real Estate Sales
The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land and connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Costs and General and Administrative Expense
Costs and expenses are recognized in the consolidated statement of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Costs and expenses are recognized in the consolidated statement of comprehensive income:
- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the consolidated statement of financial position as an asset.

Contract Balances
Receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. This is reclassified as installment contract receivables when the monthly amortization of the customer is already due for collection.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is

earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

Costs to obtain contract
The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the “Real estate costs and expenses” account in the consolidated statement of income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Contract fulfillment assets
Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Group firstly considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15.

If other standards are not applicable to contract fulfillment costs, the Group applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of this criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

The Group’s contract fulfillment assets pertain to connection fees and land acquisition costs.

Amortization, de-recognition and impairment of capitalized costs to obtain a contract
The Group amortizes capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within general and administrative expenses.

A capitalized cost to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.
At each reporting date, the Group determines whether there is an indication that cost to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Significant Accounting Policies Generally Applicable to Banking

The following revenues which are generally applicable to the banking segment are outside of the scope of PFRS 15:

Interest income
For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as financial assets at FVOCI, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest income'.

Under PFRS 9, when a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3, the Group calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis. Under PAS 39, once the recorded value of a financial asset or group of similar financial assets carried at amortized cost has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

Unearned discount is recognized as income over the terms of the receivables using the effective interest method and is shown as a deduction from loans.

Service fees and commission income
The Group earns fees and commission income from the diverse range of services it provides to its customers. Fees earned for the provision of services over a period of time are accrued over that period. These fees include investment fund fees, custodian fees, fiduciary fees, portfolio fees, credit-related fees and other service and management fees. Fees on deposit-related accounts are recognized only upon collection or accrued when there is reasonable degree of certainty as to its collection.

Trading and securities gain (loss)
Trading and securities gain (loss) represents results arising from trading activities, including all gains losses from changes in the fair values of FVPL investments. It also includes gains and losses realized from sale of debt securities at FVOCI.

Gain from sale of properties, investments and other assets
Gain from sale of properties, investments and other assets is recognized upon completion of the earning process and the collectibility of the sales price is reasonably assured.

Other Income of the Group (Outside of Scope of PFRS 15)

Rental income
The Group leases its commercial and office real estate properties to others through operating leases. Rental income on leased properties is recognized on a straight-line basis over the lease term and may include contingent rents based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract. Contingent rents are recognized as revenue in the period in which they are earned.

Dividend income
Dividend income is recognized when the shareholder's right to receive the payment is established.

Provisions
Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense under 'Financing costs and other charges' account in the consolidated statement of comprehensive income. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is probable.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Pension Costs
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

<u>Income Taxes</u>
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of reporting date.

Deferred tax
Deferred tax is provided using the liability method on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from unused minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor future taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary differences can be utilized.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date, and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recognized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss in the consolidated statement of comprehensive income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

<u>Leases</u>
Right-of-use assets
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less

any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its EUL and the lease term.

Right-of-use assets are subject to impairment.

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

<u>Joint Operation</u>
A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group recognize in relation to its interest in a joint operation its assets, including its share of any assets held jointly; liabilities, including its share of any liabilities incurred jointly; revenue from the sale of its share of the output arising from the joint operation; share of the revenue from the sale of the output by the joint operation; and expenses, including its share of any expenses incurred jointly.

<u>Earnings Per Share (EPS)</u>
Basic EPS is computed by dividing net income for the period attributable to the ordinary equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, adjusted for any subsequent stock dividends declared.

Diluted EPS amounts are calculated by dividing the net income attributable to ordinary equity holders of the Parent Company (after deducting interest of the preferred shares, if any) by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued on the conversion of all the dilutive potential common shares into common shares.

<u>Dividends on Common Shares</u>
Dividends on common shares are recognized as a liability and deducted from equity when approved by the BOD of the Parent Company in the case of cash dividends, and the BOD and shareholders of the Parent Company in the case of stock dividends.

<u>Segment Reporting</u>
The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that

offers different products and serves different markets. Financial information on operating segments is presented in Note 6 to the consolidated financial statements.

Subsequent Events

Any post-year-end event up to the date of approval of the BOD of the consolidated financial statements that provides additional information about the Group's position at the reporting date (adjusting event) is reflected in the consolidated financial statements. Any post-year-end event that is not an adjusting event is disclosed in the notes to the consolidated financial statements, when material.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted. These amendments may apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*
  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts.* This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in compliance with PFRS requires the Group to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements, as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

a. Revenue and cost recognition on real estate sales (beginning January 1, 2018)
Revenue recognition method and measure of progress
For the revenue from real estate sales in the Philippines, the Group concluded that revenue is to be recognized over time because (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date.

The Group has determined that input method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers.

Principal versus agent considerations
The contract for the mall retail spaces and office spaces leased out by the Group to its tenants includes the right to charge for the electricity usage, water usage, air conditioning charges and common usage service area (CUSA) like maintenance, janitorial and security services.

For the electricity and water usage and CUSA, the Group determined that it is acting as an agent because the promise of the Group to the tenants is to arrange for the electricity and water supply to be provided by a utility company and to provide services such as maintenance, janitorial and security services. The utility and service companies, and not the real estate developer, are primary responsible for the provisioning of the utilities while the Group, administers the leased spaces and coordinates with the utility and service companies to ensure that tenants have access to these utilities. The Group does not have the discretion on the pricing of the services provided since the price is based on the actual rate charged by the utility providers.

For the provision of air conditioning, the Group acts as a principal. This is because it is the Group who retains the right to direct the service provider of air conditioning to the leased premises. The right to the services mentioned never transfers to the tenant and the Group has the discretion on how to price the air conditioning charges. However, since the Group has availed of the relief to the real estate industry by deferring the application of accounting to CUSA charges discussed in PIC Q&A No. 2018-12-H, the Group retained its current assessment and accounting for air conditioning charges.

Revenue and cost recognition
The Group’s real estate sales is recognized overtime and the percentage-of-completion is determined using input method measured principally based on total actual cost of resources consumed such as materials, labor hours expended and actual overhead incurred over the total expected project development cost. Actual costs also include incurred costs but not yet billed which are estimated by the project engineers. Expected project development costs include costs of land, land development, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis and is allocated between costs of sales and real estate inventories.

b. *Revenue recognition on sale of goods from the food business*
Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (a) identification of the contract for sale of goods that would meet the requirements of PFRS 15; (b) assessment of performance obligation and the probability that the entity will collect the consideration from the buyer; (c) determining method to estimate variable consideration and assessing the constraint; and (d) recognition of revenue as the Group satisfies the performance obligation.

   i. *Existence of a contract*
   The Group enters into a contract with customer through an approved purchase order which constitutes a valid contract as specific details such as the quantity, price, contract terms and their respective obligations are clearly identified. In the case of sales to key accounts and distributors, the combined approved purchase order and trading terms agreement / exclusive distributorship agreement constitute a valid contract. In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the goods sold that will be transferred to the customer.

ii. *Identifying performance obligation*

The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

Based on management assessment, other than the sale of goods and services, no other performance obligations were identified except in the case of milling revenue.

iii. *Recognition of revenue as the Group satisfies the performance obligation*

The Group recognizes its revenue from the food business at a point in time, when the goods are sold and delivered and when services are already rendered.

c. *Classification of financial assets (Beginning January 1, 2018)*

As discussed in Note 2, beginning January 1, 2018, the Group classifies its financial assets depending on the business model for managing those financial assets and whether the contractual terms of the financial assets are SPPI on the principal amount outstanding.

The Group performs the business model assessment based on observable factors such as:

- Performance of the the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel
- Risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- Compensation of business units whether based on the fair value of those assets managed or on the contractual cash flows collected
- Expected frequency, value, and timing of sales

d. *Determination of fair values of financial instruments*

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any change in fair value of these financial assets and liabilities would affect the consolidated statements of comprehensive income.

Where the fair values of certain financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives. Refer to Note 5 for the fair value measurements of financial instruments.

e. *Classification of leases*

<u>*Operating Lease*</u>

Operating lease commitments - Group as lessee

The Group has entered into leases on premises it uses for its operations. The Group has determined, based on evaluation of the terms and conditions of the lease agreements that the significant risk and rewards of ownership to these properties did not transfer to the Group. In determining this, the Group considers the following:

- the lease does not transfer the ownership of the asset to the lessee by the end of the lease term; and
- the related lease term do not approximate the EUL of the assets being leased.

Operating lease commitments - Group as lessor

Based on the evaluation of the terms and conditions of the arrangements, the Group has determined that it retains all significant risks and rewards of ownership to these properties. In determining this, the Group considers, the following:

- the leases do not provide for an option to purchase or transfer ownership of the property at the end of the lease; and
- the related lease term do not approximate the EUL of the assets being leased.

<u>*Finance Lease*</u>

Group as lessor

The Group has determined based on evaluation of terms and conditions of the lease arrangements (i.e., present value of minimum lease payments receivable amounts to at least substantially all of the fair value of leased asset, lease term if for the major part of the economic useful life of the asset, and lessor's losses associated with the cancellation are borned by the lessee) that it has transferred all significant risks and rewards of ownership of the peroperties it leases out on finance leases.

Group as lessee

The Group has determined based on evaluation of terms and conditions of the lease arrangements (i.e., present value of minimum lease payments payable amounts to at least substantially all of the fair value of leased asset, lease term if for the major part of the economic useful life of the asset, and lessor's losses associated with the cancellation are borned by the lessee) that it has obtained all significant risks and rewards of ownership of the properties it leased on finance leases.

f. *Distinction between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property is not occupied substantially for use by, or in operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as an investment property, only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgment.

g. *Consolidation of SPEs*
The Group periodically undertakes transactions that may involve obtaining the right to control or significantly influence the operations of other companies. These transactions include the purchase of aircraft and assumption of certain liabilities. In all such cases, management makes an assessment as to whether the Group has: (a) power over the SPEs; (b) the right over the returns of its SPEs; and (c) the ability to use power over the SPEs to affect the amount of the Group's return, and based on these assessments, the SPEs are consolidated as a subsidiary or associated company. In making these assessments, the management considers the underlying economic substance of the transaction and not only the contractual terms. The Group has assessed that it will benefit from the economic benefits of the SPEs' activities and it will affect the returns for the Group. The Group is directly exposed to the risks and returns from its involvement with the SPEs. Such rights and risks associated with the benefits and returns are indicators of control. Accordingly, the SPEs are consolidated.

Upon loss of control, the Group derecognizes the assets and liabilities of its SPEs and any surplus or deficit is recognized in profit or loss.

h. *Determination of functional currency*
PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires management to use its judgment to determine an entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, each entity in the Group considers the following:

a. the currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);
b. the currency in which funds from financing activities are generated; and
c. The currency in which receipts from operating activities are usually retained.

In the case of an intermediate holding company or finance subsidiary, the principal consideration of management is whether it is an extension of the Parent Company and performing the functions of the Parent Company - i.e., whether its role is simply to hold the investment in, or provide finance to, the foreign operation on behalf of the Parent Company or whether its functions are essentially an extension of a local operation (e.g., performing selling, payroll or similar activities for that operation) or indeed it is undertaking activities on its own account. In the former case, the functional currency of the entity is the same with that of the Parent Company; while in the latter case, the functional currency of the entity would be assessed separately.

i. *Significant influence over an associate with less than 20.0% ownership*
In determining whether the Group has significant influence over an investee requires significant judgment. Generally, a shareholding of 20.0% to 50.0% of the voting rights of an investee is presumed to give the Group a significant influence.

There are instances that an investor exercises significant influence even if its ownership is less than 20.0%. The Group applies significant judgment in assessing whether it holds significant influence over an investee and considers the following: (a) representation on the board of directors or equivalent governing body of the investee; (b) participation in policy-making processes, including participation in decisions about dividends or other distributions;

(c) material transactions between the investor and the investee; (d) interchange of managerial personnel; or (e) provision of essential technical information.

j. Contingencies

The Group is currently involved in certain legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material effect on the Group's consolidated financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 25).

Estimates

The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below:

a. Impairment of goodwill and intangible assets

The Group performed its annual impairment test on its goodwill and other intangible assets with indefinite useful lives as of reporting date. The recoverable amounts of the intangible assets were determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The following assumptions were also used in computing value in use:

Growth rate estimates - growth rates include long-term growth rates that are based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates.

Discount rates - discount rates were estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

Value-in-use is the most sensitive to changes in revenue growth rates and discount rates.

b. Expected credit losses on receivables (Beginning January 1, 2018)

For loans and receivables from the banking business, ECL calculatiors are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Significant factors affecting the estimates on the ECL model include:

- Segmentation of the portfolio, where the appropriate ECL approach and/or model is used, including whether assessment should be done individually or collectively.
- Quantitative and qualitative criteria for determining whether ther have been SICR as at a given reporting date and the corresponding transfers between stages.
- Development of ECL models, including the various formulas and the vhoice of inputs
- Determination of correlations and interdependencies between risk factors, macroeconomic scenarios and economic inputs, such as inflation, policy rates and collateral values, and the resulting impact to PDs, LGDs and EADs.
- Selection of forward-looking information and determination of probability weightings to derive the ECL

For installment contracts and contract assets from the real estate business, the Group uses vintage analysis approach to calculate ECLs for installment contracts and contract assets. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

For other receivables, provision matrix was used to calculate ECLs. The provision rates are based on historical default rates days past due for groupings of various segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.
The assessment of the correlation between historical observed default rates, forecast economic conditions (i.e., gross domestic product and inflation rate) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may alos not be representative of the customer's acual default in the future.

c. *Determination of the fair value of intangible assets and property, plant and equipment acquired in a business combination*
The Group measures the identifiable assets and liabilities acquired in a business combination at fair value at the date of acquisition.

The fair value of the intangible assets acquired in a business combination is determined based on the net sales forecast attributable to the intangible assets, growth rate estimates and royalty rates using comparable license agreements. Royalty rates are based on the estimated arm's length royalty rate that would be paid for the use of the intangible assets. Growth rate estimate includes long-term growth rate and terminal growth rate applied to future cash flows beyond the projection period.

The fair value of property, plant and equipment acquired in a business combination is determined based on comparable properties after adjustments for various factors such as location, size and shape of the property. Cost information and current prices of comparable equipment are also utilized to determine the fair value of equipment.

d. *Revenue and cost recognition from the real estate business*
The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue and cost from real estate where performance obligation is satisfied over time and recognized based on the percentage of completion is measured principally on the basis of the estimated completion by reference to the actual costs incurred to date over the estimated total costs of the project. For the nine months ended September 30, 2019 and 2018, the real estate sales recognized over time amounted to ₱15,906.6 million and ₱8,847.1 million, respectively, while the related cost of real estate sales amounted to ₱10,642.6 million and ₱3,775.2 million, respectively.

e. *Determination of NRV of inventories*
The Group, in determining the NRV, considers any adjustment necessary for obsolescence which is generally providing a 100.0% write down for nonmoving items for more than one year. The Group adjusts the cost of inventory to the recoverable value at a level considered adequate to reflect any market decline in the value of the recorded inventories. The Group reviews the classification of the inventories and generally provides adjustments for recoverable values of new, actively sold and slow-moving inventories by reference to prevailing values of the same inventories in the market.

The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in inventory obsolescence and market decline would increase recorded operating expenses and decrease current assets.

Inventory obsolescence and market decline included under 'Impairment losses and others' in profit or loss in the consolidated statements of comprehensive incomeare disclosed in Note 12 to the consolidated financial statements.

The carrying value of the Group's inventories, net of inventory obsolescence and market decline, is disclosed in Note 12 to the consolidated financial statements.

f. *Estimation of ARO*
The Group is contractually required under certain lease contracts to restore certain leased passenger aircraft to stipulated return condition or to bear a proportionate costs of restoration at the end of the contract period. Since the first operating lease entered by the Group in 2001, these costs are accrued based on an internal estimate which includes estimates of certain redelivery costs at the end of the operating aircraft lease. The contractual obligation includes regular aircraft maintenance, overhaul and restoration of the leased aircraft to its original condition. Regular aircraft maintenance is accounted for as expense when incurred, while overhaul and restoration are accounted on an accrual basis.

Assumptions and estimates used to compute ARO are reviewed and updated annually by the Group. As of September 30, 2019 and 2018, the cost of restoration is computed based on the Group's assessment on expected future aircraft utilization.

The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. The recognition of ARO would increase other noncurrent liabilities and repairs and maintenance expense.

The carrying values of the Group's ARO (included under 'Other noncurrent liabilities' in the consolidated statements of financial position) is disclosed in Note 19 to the consolidated financial statements.

g. *Estimation of useful lives of property, plant and equipment, investment properties, intangible assets with finite life and biological assets at cost*
The Group estimates the useful lives of its depreciable property, plant and equipment, investment properties, intangible assets with finite life and biological assets at cost based on the period over which the assets are expected to be available for use. The EUL of the said depreciable assets are reviewed at least annually and are updated, if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the EUL of the depreciable property, plant and equipment, investment properties and intangible assets would increase depreciation and amortization expense and decrease noncurrent assets.

h. *Determination of fair values less estimated costs to sell of biological assets*
The fair values of biological assets are determined based on current market prices of livestock of similar age, breed and genetic merit. Costs to sell costs include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transportation and other costs necessary to get the biological assets to the market. The fair values are reviewed and updated, if expectations differ from previous estimates due to changes brought by both physical change and price changes in the market. It is possible that future results of operations could be

materially affected by changes in these estimates brought about by the changes in factors mentioned.

i. *Estimation of pension and other benefits costs*
The determination of the obligation and cost of pension and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount ratesand salary increase rates. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Philippine government bonds with terms consistent with the expected employee benefit payout as of reporting date.

j. *Assessment of impairment of nonfinancial assets*
The Group assesses impairment on its nonfinancial assets (i.e., property, plant and equipment, investment properties, investments in associates and joint ventures, biological assets carried at cost and goodwill and other intangible assets) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating the asset's value in use and decrease the asset's recoverable amount materially;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

The Group determines an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

In the case of goodwill and intangible assets with indefinite lives, at a minimum, such assets are subject to an annual impairment test and more frequently whenever there is an indication that such asset may be impaired. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and to choose a suitable discount rate in order to calculate the present value of those cash flows.

k. Recognition of deferred tax assets
The Group reviews the carrying amounts of its deferred tax assets at each reporting date and reduces the deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized.

The Group has certain subsidiaries which enjoy the benefits of an income tax holiday (ITH). As such, no deferred tax assets were set up on certain gross deductible temporary differences that are expected to reverse or expire within the ITH period.

l. Fair values of aircraft at sale and operating leaseback transaction
The Group determines the fair values of its aircraft by relying on a third party's valuation which has a global view of all area of the market which brings essential context of changes in the market and the opportunities and risks. The judgment includes determination whether the difference between the fair value of the aircraft and its selling price should be accounted as immediate gain in the profit or loss or be deferred over the operating lease term. The Group entered into sale and operating leaseback transactions in 2019 and 2018.

m. Determination of NRV of expendable parts, fuel, materials and supplies
The Group's estimates of the NRV of expendable parts, fuel, materials and supplies are based on the most reliable evidence available at the time the estimates are made, of the amount that the expendable parts, fuel, materials and supplies are expected to be realized. In determining the NRV, the Group considers any adjustment necessary for obsolescence, which is generally providing 100.00% for nonmoving items for more than one year. A new assessment is made of NRV in each subsequent period. When the circumstances that previously caused expendable parts, fuel, materials and supplies to be written-down below cost no longer exist or when there is a clear evidence of an increase in NRV because of a change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

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4. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivative financial instruments, comprise cash and cash equivalents, financial assets at FVPL, interest-bearing loans and borrowings and payables and other financial liabilities. The main purpose of these financial instruments is to finance the Group's operations and related capital expenditures. The Group has various other financial assets and financial liabilities, such as trade receivables and payables which arise directly from its operations. Also, the Parent Company and certain subsidiaries are counterparties to derivative contracts, such as interest rate swaps, currency forwards, cross currency swaps, currency options and commodity swaps and options. These derivatives are entered into as a means of reducing or managing their respective foreign exchange and interest rate exposures.

The BOD of the Parent Company and its subsidiaries review and approve the policies for managing each of these risks which are summarized below, together with the related risk management structure.

<u>Risk Management Structure</u>
The BOD of the Parent Company and the respective BODs of each subsidiary are ultimately responsible for the oversight of the Group's risk management processes that involve identifying, measuring, analyzing, monitoring and controlling risks.

The risk management framework encompasses environmental scanning, the identification and assessment of business risks, development of risk management strategies, design and implementation of risk management capabilities and appropriate responses, monitoring risks and risk management performance, and identification of areas and opportunities for improvement in the risk management process.

Each BOD has created the board-level Audit Committee (AC) to spearhead the managing and monitoring of risks.

AC
The AC shall assist the Group's BOD in its fiduciary responsibility for the over-all effectiveness of risk management systems and the internal audit functions of the Group. Furthermore, it is also the AC's purpose to lead in the general evaluation and to provide assistance in the continuous improvements of risk management, control and governance processes.

The AC also aims to ensure that:

a. financial reports comply with established internal policies and procedures, pertinent accounting and audit standards and other regulatory requirements;
b. risks are properly identified, evaluated and managed, specifically in the areas of managing credit, market, liquidity, operational, legal and other risks, and crisis management;
c. audit activities of internal auditors are done based on plan, and deviations are explained through the performance of direct interface functions with the internal auditors; and
d. the Group's BOD is properly assisted in the development of policies that would enhance the risk management and control systems.

Corporate Governance and Management Services
The CGMS was created to be primarily responsible for the execution of the enterprise risk management framework. The CGMS's main concerns include:

a. recommendation of risk policies, strategies, principles, framework and limits;
b. management of fundamental risk issues and monitoring of relevant risk decisions;
c. support to management in implementing the risk policies and strategies; and
d. development of a risk awareness program.

Corporate Governance Compliance Officer
Compliance with the principles of good corporate governance is one of the objectives of the Group's BOD. To assist the Group's BOD in achieving this purpose, the Group's BOD has designated a Compliance Officer who shall be responsible for monitoring the actual compliance of the Group with the provisions and requirements of good corporate governance, identifying and monitoring control compliance risks, determining violations, and recommending penalties for such infringements for further review and approval of the Group's BOD, among others.

Day-to-day risk management functions
At the business unit or company level, the day-to-day risk management functions are handled by four different groups, namely:

1. Risk-taking Personnel. This group includes line personnel who initiate and are directly accountable for all risks taken.
2. Risk Control and Compliance. This group includes middle management personnel who perform the day-to-day compliance check to approved risk policies and risk mitigation decisions.
3. Support. This group includes back office personnel who support the line personnel.
4. Risk Management. This group pertains to the business unit's Management Committee which

makes risk-mitigating decisions within the enterprise-wide risk management framework.

Enterprise Resource Management (ERM) Framework
The Parent Company's BOD is also responsible for establishing and maintaining a sound risk management framework and is accountable for risks taken by the Parent Company. The Parent Company's BOD also shares the responsibility with the CGMS in promoting the risk awareness program enterprise-wide.

The ERM framework revolves around the following eight interrelated risk management approaches:

1. Internal Environmental Scanning. It involves the review of the overall prevailing risk profile of the business unit to determine how risks are viewed and addressed by management. This is presented during the strategic planning, annual budgeting and mid-year performance reviews of the Group.
2. Objective Setting. The Group's BOD mandates the business unit's management to set the overall annual targets through strategic planning activities, in order to ensure that management has a process in place to set objectives which are aligned with the Group's goals.
3. Event Identification. It identifies both internal and external events affecting the Group's set targets, distinguishing between risks and opportunities.
4. Risk Assessment. The identified risks are analyzed relative to the probability and severity of potential loss which serves as a basis for determining how the risks should be managed. The risks are further assessed as to which risks are controllable and uncontrollable, risks that require management's attention, and risks which may materially weaken the Group's earnings and capital.
5. Risk Response. The Group's BOD, through the oversight role of the CGMS, approves the business unit's responses to mitigate risks, either to avoid, self-insure, reduce, transfer or share risk.
6. Control Activities. Policies and procedures are established and approved by the Group's BOD and implemented to ensure that the risk responses are effectively carried out enterprise-wide.
7. Information and Communication. Relevant risk management information are identified, captured and communicated in form and substance that enable all personnel to perform their risk management roles.
8. Monitoring. The CGMS, Internal Audit Group, Compliance Office and Business Assessment Team constantly monitor the management of risks through risk limits, audit reviews, compliance checks, revalidation of risk strategies and performance reviews.

Risk management support groups
The Group's BOD created the following departments within the Group to support the risk management activities of the Parent Company and the other business units:

1. Corporate Security and Safety Board (CSSB). Under the supervision of CGMS, the CSSB administers enterprise-wide policies affecting physical security of assets exposed to various forms of risks.
2. Corporate Supplier Accreditation Team (CORPSAT). Under the supervision of CGMS, the CORPSAT administers enterprise-wide procurement policies to ensure availability of supplies and services of high quality and standards to all business units.
3. Corporate Management Services (CMS). The CMS is responsible for the formulation of enterprise-wide policies and procedures.
4. Corporate Strategy. The Corporate Strategy is responsible for the administration of strategic planning, budgeting and performance review processes of business units.
5. Corporate Insurance Department (CID). The CID is responsible for the administration of the insurance program of business units concerning property, public liability, business interruption, money and fidelity, and employer compensation insurances, as well as, in the procurement of

performance bonds.

Risk Management Policies

The main risks arising from the use of financial instruments are credit risk, liquidity risk and market risk, such as foreign currency risk, commodity price risk, equity price risk and interest rate risk. The Group's policies for managing the aforementioned risks are summarized below.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group transacts only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group continuously provides credit notification and implements various credit actions, depending on assessed risks, to minimize credit exposure. Receivable balances of trade customers are being monitored on a regular basis and appropriate credit treatments are executed for overdue accounts. Likewise, other receivable balances are also being monitored and subjected to appropriate actions to manage credit risk.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, financial assets at FVPL and certain derivative investments, the Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments.

The Group has a counterparty credit risk management policy which allocates investment limits based on counterparty credit ratings and credit risk profile.

a. Credit risk exposure

The Group holds collateral in the form of real estate and chattel mortgages, government securities and standby letters of credit. The amount and type of collateral required depends on an assessment of credit risk. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. It is the Group's policy to dispose of repossessed properties in an orderly fashion. In general, the proceeds are used to reduce or repay the outstanding claim, and are not occupied for business use.

b. Risk concentrations of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Group's financial strength and undermine public confidence.

The Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. In order to avoid excessive concentrations of risks, identified concentrations of credit risks are controlled and managed accordingly.

c. Credit quality per class of financial assets

Classification of Financial Assets by Class used by the Group except for the Banking Segment
High grade cash and cash equivalents are short-term placements and working cash fund placed, invested, or deposited in foreign and local banks belonging to the top 10 banks in the Philippines in terms of resources and profitability.

Other high grade accounts are considered to be of high value since the counterparties have a remote likelihood of default and have consistently exhibited good paying habits.

Standard grade accounts are active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Substandard grade accounts are accounts which have probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up actions and extended payment terms.

Classification of Financial Assets by Class used by the Banking Segment
For loans and receivables from customers, the Banking Segment's internal credit risk rating (ICCR) system was approved in 2007 and further enhanced to reflect latest updates. Last enhancement was made in 2018 for the ICRRS covering corporate credit exposures as defined by BSP Circular 439, initially for those borrowers with asset size of more than ₱15.0 million. In compliance with BSP Circular 855, the Banking Segment also developed another ICRRS in 2017 for those borrowers with asset size of ₱15.0 million and below which was also enhanced in 2018.

The Banking Segment's internal credit risk rating is as follows:

Grades	**Categories**	**Description**
High grade		
Risk rating 1	Excellent	Lowest probability of default; exceptionally strong capacity for financial commitments; highly unlikely to be adversely affected by foreseeable events.
Risk rating 2	Super Prime	Very low probability of default; very strong capacity for payment of financial commitments; less vulnerable to foreseeable events.
Risk rating 3	Prime	Low probability of default; strong capacity for payment of financial commitments; may be more vulnerable to adverse business/economic conditions.
Risk rating 4	Very Good	Moderately low probability of default; more than adequate capacity for payment of financial commitments; but adverse business/economic conditions are more likely to impair this capacity
Risk rating 5	Good	More pronounced probability of default; business or financial flexibility exists which supports the servicing of financial commitments; vulnerable to adverse business/economic changes
Standard		
Risk rating 6	Satisfactory	Material probability of default is present, but a margin of safety remains; financial commitments

Grades	Categories	Description
		are currently being met although the capacity for continued payment is vulnerable to deterioration in the business/economic condition.
Risk rating 7	Average	Greater probability of default which is reflected in the volatility of earnings and overall performance; repayment source is presently adequate; however, prolonged unfavorable economic period would create deterioration beyond acceptable levels.
Risk rating 8	Fair	Sufficiently pronounced probability of default, although borrowers should still be able to withstand normal business cycles; any prolonged unfavorable economic/market conditions would create an immediate deterioration of cash flow beyond acceptable levels.
Sub-standard grade		
Risk rating 9	Marginal	Elevated level of probability of default, with limited margin; repayment source is adequate to marginal.
Risk rating 10	Watchlist	Unfavorable industry or company specific risk factors represent a concern, financial strength may be marginal; will find it difficult to cope with significant downturn.
Risk rating 11	Special mention	Loans have potential weaknesses that deserve close attention; borrower has reached a point where there is a real risk that the borrower's ability to pay the interest and repay the principal timely could be jeopardized due to evidence of weakness in the borrower's financial condition.
Risk rating 12	Substandard	Substantial and unreasonable degree of risk to the institution because of unfavorable record or unsatisfactory characteristics; with well-defined weaknesses that jeopardize their liquidation e.g. negative cash flow, case of fraud.
Impaired		
Risk rating 13	Doubtful	Weaknesses similar to "Substandard", but with added characteristics that make liquidation highly improbable.
Risk rating 14	Loss	Uncollectible or worthless.

The Banking Segment's internal credit risk rating system intends to provide a structure to define the corporate credit portfolio, and consists of an initial rating for the borrower risk later adjusted for the facility risk. Inputs include an assessment of management, credit experience, financial condition, industry outlook, documentation, security and term.

Aging analysis of receivables by class

The aging analysis of the Group's receivables as of September 30, 2019 follow:

		Past Due But Not Impaired					
	Neither Past Due Nor Impaired	**Less than 30 Days**	**30 to 60 Days**	**61 to 90 Days**	**Over 90 Days**	**Past Due and Impaired**	**Total**
Finance receivables	**₱66,126,415**	**₱2,961,956**	**₱596,502**	**₱252,712**	**₱311,130**	**₱1,157,555**	**₱71,406,270**
Trade receivables	**15,155,116**	**4,038,686**	**724,964**	**170,483**	**1,363,953**	**274,686**	**21,727,888**
Due from related parties	**2,889,199**	**–**	**–**	**–**	**–**	**–**	**2,889,199**
Interest receivable	**843,516**	**36,216**	**14,650**	**9,310**	**60,268**	**–**	**963,960**
Others	**2,523,579**	**280,784**	**151,110**	**18,981**	**156,592**	**235,937**	**3,366,983**
	₱87,537,825	**₱7,317,642**	**₱1,487,226**	**₱451,486**	**₱1,891,943**	**₱1,668,178**	**₱100,354,300**

** Excludes claims receivable of JGSPC and JGSOC amounting to ₱360,703.*

Liquidity risk
Liquidity risk is the risk of not being able to meet funding obligations such as the repayment of liabilities or payment of asset purchases as they fall due. The Group's liquidity management involves maintaining funding capacity to finance capital expenditures and service maturing debts, and to accommodate any fluctuations in asset and liability levels due to changes in the Group's business operations or unanticipated events created by customer behavior or capital market conditions. The Group maintains a level of cash and cash equivalents deemed sufficient to finance its operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include obtaining bank loans and capital market issues both onshore and offshore.

Market risk
Market risk is the risk of loss to future earnings, to fair value or future cash flows of a financial instrument as a result of changes in its price, in turn caused by changes in interest rates, foreign currency exchange rates, equity prices and other market factors.

The following discussion covers the market risks of the Group except for its Banking Segment:

Foreign currency risk
Foreign currency risk arises on financial instruments that are denominated in a foreign currency other than the functional currency in which they are measured. The Group makes use of derivative financial instruments, such as currency swaps, to hedge foreign currency exposure.

Equity price risk
Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks.

Interest rate risk
The Group's exposure to market risk for changes in interest rates relates primarily to the Parent Company's and its subsidiaries' long-term debt obligations which are subject to floating rate. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt. The Group makes use of derivative financial instruments, such as interest rate swaps, to hedge the variability in cash flows arising from fluctuation in benchmark interest rates.

Price interest rate risk
The Group is exposed to the risks of changes in the value/future cash flows of its financial instruments due to its market risk exposures. The Group's exposure to interest raterisk relates

primarily to the Group's financial assets at FVPL.

Except for RBC, which uses Earnings-at -Risk (EaR) as a tool for measuring and managing interest rate risk in the banking book, the tables below show the impact on income before income tax and equity of the estimated future yield of the related market indices of the Group's FVPL using a sensitivity approach.

Commodity price risk
The Group enters into commodity derivatives to manage its price risks on fuel purchases. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Depending on the economic hedge cover, the price changes on the commodity derivative positions are offset by higher or lower purchase costs on fuel.

The Group manages its commodity price risk through fuel surcharges which are approved by the Philippine Civil Aeronautics Board, a fuel hedge that protects the Group's fuel usage from volatile price fluctuations, and certain operational adjustments in order to conserve fuel use in the way the aircraft is operated.

Banking Segment's Market Risk
Market risk is defined as the possibility of loss due to adverse movements in market factors such as rates and prices. Market risk is present in both trading and non-trading activities. These are the risk to earnings or capital arising from changes in the value of traded portfolios of financial instruments. The risk arises from market-making, dealing and position-taking in quoted debt securities and foreign exchange.

RBC observes market risk limits, which are approved by the BOD and reviewed at least annually. Limits are set in such a way as to ensure that risks taken are based on RBC's existing capital adequacy framework, and corresponding monitoring reports are prepared regularly by an independent risk management unit.

When limits are breached, approval is sought from successive levels of authority depending on the amount of the excess. Limit breaches are periodically presented to the BOD.

Value-at-Risk (VaR) is computed to estimate potential losses arising from market movements. RBC calculates and monitors VaR and profit or loss on a daily basis.

VaR objectives and methodology
VaR is used by RBC to measure market risk exposure from its trading and investment activities.VaR is an estimate of the maximum decline in value on a given position over a specified holding period in a normal market environment, with a given probability of occurrence. RBC uses the historical simulation method in estimating VaR. The historical simulation method is a non-parametric approach to VaR calculation, in which asset returns are not subject to any functional distribution assumption. VaR is estimated directly from historical date without deriving parameters or making assumptions about the entire data distribution.

In employing the historical simulation method, RBC assumes a 260 historical data (approximately 1 year), 99.50% confidence level and 1-day holding period. On August 17, 2016, RBC implemented new assumptions in the model, specifically the use of 500 historical data (approximately 2 years) and 99.00% confidence level, with the holding period still at 1-day.

VaR methodology limitations and assumptions
Discussed below are the limitations and assumptions applied by RBC on its VaR methodology:

a. VaR is a statistical estimate and thus, does not give the precise amount of loss RBC may incur in the future;
b. VaR is not designed to give the probability of bank failure, but only attempts to quantify losses that may arise from RBC's exposure to market risk;
c. Since VaR is computed from end-of-day positions and market factors, VaR does not capture intraday market risk.
d. VaR systems depend on historical data. It attempts to forecast likely future losses using past data. As such, this assumes that past relationships will continue to hold in thefuture. Therefore, market shifts (i.e. an unexpected collapse of the market) will not be captured and may inflict losses larger than anything the VaR modelmay have calculated; and
e. The limitation relating to the pattern of historical returns being indicative of future returns is addressed by supplementing VaRwith daily stress testing reported to RBC's Risk Management Committee, Asset-Liability Committee (ALCO) and the concerned risk-takers.

VaR backtesting is the process by which financial institutions periodically compare ex-post profit or loss with the ex-ante VaR figures to gauge the robustness of the VaR model. RBC performs quarterly backtesting.

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

RBC's ALCO surveys the interest rate environment, adjusts the interest rates for the Parent Company's loans and deposits, assesses investment opportunities and reviews the structure of assets and liabilities. RBC uses Earnings-at-Riskas a tool for measuring and managing interest rate risk in the banking book.

Earnings-at-Risk objectives and methodology
Earnings-at-Risk is a statistical measure of the likely impact of changes in interest rates to the RBC's net interest income (NII). To do this, repricing gaps (difference between interest rate-sensitive assets and liabilities) are classified according to time to repricing and multiplied with applicable historical interest rate volatility, Although available contractual repricing dates are generally used for putting instruments into time bands, contractual maturity dates (e.g., for fixed rate instruments) or expected liquidation periods often based on historical data are used alternatively. The repricing gap per time band is computed by getting the difference between the inflows and outflows within the time band. A positive repricing gap implies that RBC's net interest income could decline if interest rates decrease upon repricing. A negative repricing gap implies that RBC's net interest income could decline if interest rates increase upon repricing. Although such gaps are a normal part of the business, a significant change may bring significant interest rate risk. To help control interest rate risk arising from repricing gaps, maximum repricing gap and EaR/NII targets are set for time bands up to one year. EaR is prepared and reported to the Risk Management Committee quarterly.

Foreign currency risk
Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The BOD has set limits on positions by currency. In accordance with the RBC's policy, positions are monitored on a daily basis and are used to ensure positions are maintained within established limits.

5. **Fair Value Measurement**

The following methods and assumptions were used to estimate the fair value of each asset and liability for which it is practicable to estimate such value:

Cash and cash equivalents, receivables (except for finance receivables and installment contract receivables), accounts payable and accrued expenses and short-term debt
Carrying amounts approximate their fair values due to the relatively short-term maturities of these instruments.

Finance receivables
Fair values of loans are estimated using the discounted cash flow methodology, using RBC's current incremental lending rates for similar types of loans. Where the instruments are repriced on a quarterly basis or have a relatively short-term maturity, the carrying amounts approximate fair values.

Installment contract receivables
Fair values of installment contract receivables are based on the discounted value of future cash flows using the applicable rates for similar types of receivables.

Debt securities
Fair values of debt securities are generally based on quoted market prices.

Quoted equity securities
Fair values are based on quoted prices published in markets.

Amounts due from and due to related parties
Carrying amounts of due from and due to related parties which are collectible/payable on demand approximate their fair values. Due from related parties are unsecured and have no foreseeable terms of repayments.

Noninterest-bearing refundable security deposits
The fair values are determined as the present value of estimated future cash flows using prevailing market rates.

Investment in convertible note
The investment in convertible note's fair value is measured using the discounted cash flow model (using current incremental lending rates for similar types of loans) and the Black-Scholes-Merton model (using the underlying's stock price and stock volatility).

Biological assets
Biological assets are measured at their fair values less costs to sell. The fair values of Level 2 biological assets are determined based on current market prices of livestock of similar age, breed and genetic merit while Level 3 are determined based on cost plus reasonable profit margin or replacement cost as applicable. Costs to sell include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market.

The Group has determined that the highest and best use of the sucklings and weanlings is finishers while for other biological assets is their current use.

Derivative financial instruments
The fair values of the interest rate swaps and commodity swaps and options are determined based

on the quotes obtained from counterparties. The fair values of forward exchange derivatives are calculated by reference to the prevailing interest differential and spot exchange rate as of valuation date, taking into account the remaining term-to-maturity of the forwards.The fair values of cross currency swaps are based on the discounted cash flow swap valuation model of a third party provider.

Investment properties
The carrying amount of the investment properties approximates its fair value as of reporting date. Fair value of investment properties are based on market data (or direct sales comparison) approach. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject property.

The fair values of the Group's investment properties have been determined by appaisers, including independent external appraisers, in the basis of the recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time of the valuations are made.

The Group has determined that the highest and best use of the property used for the land and building is its current use.

Time deposits
Fair values are estimated using the discounted cash flow methodology using RBC's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liabilities being valued.

Long-term negotiable certificates of deposit (LTNCD)
Fair values of LTNCD are estimated using quoated market rates for the instrument.

Deposits from Lessees
The fair value of customers' deposits is based on the discounted value of future cash flows using the applicable rates for similar types of loans and receivables as of reporting date.

Long-term debt
The fair value of long-term debt is based on the discounted value of future cash flows (interests and principal) using the applicable rates for similar types of loans.

Fair Value Hierarchy Assets and Liabilities
Assets and liabilities carried at far value are those whose fair values are required to be disclosed.

(a) Level 1: quoted (unadjusted) prices in an active market for identical assets or liabilities;
(b) Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
(c) Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

6. **Segment Information**

Operating Segments
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The industry segments where the Group operates are as follows:

- Foods, agro-industrial and commodities businesses - manufacturing of snack foods, granulated coffee and pre-mixed coffee, chocolates, candies, biscuits, instant noodles, ice cream and frozen novelties, pasta and tomato-based products and canned beans; raising of hog, chicken and manufacturing and distribution of animal feeds, corn products and vegetable oil and the synthesis of veterinary compound; and sugar milling and refining and flour milling.
- Air transportation - air transport services, both domestic and international, for passengers and cargoes.
- Real estate and hotels - ownership, development, leasing and management of shopping malls and retail developments; ownership and operation of prime hotels in major Philippine cities; development, sale and leasing of office condominium space in office buildings and mixed use developments including high rise residential condominiums; and development of land into residential subdivisions and sale of subdivision lots and residential houses and the provision of customer financing for sales.
- Petrochemicals - manufacturer of polyethylene (PE) and polypropylene (PP),polymer grade ethylene, polymer grade propylene, partially hydrogenated pyrolysis gasoline and pyrolysis fuel oil.
- Banking - commercial banking operations, including deposit-taking, lending, foreign exchange dealing and fund transfers or remittance servicing.
- Other supplementary businesses - asset management, insurance brokering, foreign exchange and securities dealing. This also includes dividend income from PLDT and equity in net earnings of Meralco and GBPC.

No operating segments have been aggregated to form the above reportable operating business segments.

The Group does not have a single external major customer (which represents 10.0% of Group's revenues).

Management monitors the operating results of each segment. The measure presented to manage segment performance is the segment operating income (loss). Segment operating income (loss) is based on the same accounting policies as the consolidated operating income (loss) except that intersegment revenues are eliminated only at the consolidation level. Group financing (including finance cost and other charges), finance income, market valuation gains(losses) on financial assets at FVPL and derivatives, foreign exchange gains (losses), other operating income, general and administrative expenses, impairment losses and others and income taxes are managed on a group basis and are not allocated to operating segments. Transfer pricing between operating segments are on arm's length basis in a manner similar to transactions with third parties.

The Executive Committee (Excom) is actively involved in planning, approving, reviewing, and assessing the performance of each of the Group's segments. The Excomoversees Group's decision making process. The Excom's functions are supported by the heads of each of the operating segments, which provide essential input and advice in the decision-making process. The Excom is the Group's chief operating decision maker.

The following tables present the financial information of each of the operating segments in accordance with PFRS except for 'Core earnings', EBIT' and EBITDA' as of and for the nine months ended September 30, 2019 and 2018. Core earnings pertain to income before income tax excluding market valuation gains (losses) on financial assets at FVPL, market valuation gains on derivative financial instruments and foreign exchange gains (losses).

The Group's operating segment information follows:

	September 30, 2019							
	Foods, Agro-Industrial and Commodities	**Air Transportation**	**Real Estate and Hotels**	**Petrochemicals**	**Banking**	**Other Supplementary Businesses**	**Adjustments and Eliminations**	**TOTAL OPERATIONS**
Revenue								
Sale of goods and services:								
External customers	**₱99,784,656**	**₱63,624,574**	**₱31,118,119**	**₱26,121,049**	**₱6,048,664**	**₱555,886**	**₱–**	**₱227,252,948**
Intersegment revenue	**–**	**–**	**61,151**	**943,576**	**–**	**–**	**(1,004,727)**	**–**
	99,784,656	**63,624,574**	**31,179,270**	**27,064,625**	**6,048,664**	**555,886**	**(1,004,727)**	**227,252,948**
Dividend income	**16,151**	**–**	**–**	**–**	**7,949**	**1,307,598**	**(1,198)**	**1,330,500**
Equity in net earnings of associates and joint ventures	**(38,891)**	**70,426**	**5,326,944**	**–**	**–**	**5,675,705**	**(14,569)**	**11,019,615**
Total revenue	**99,761,916**	**63,695,000**	**36,506,214**	**27,064,625**	**6,056,613**	**7,539,189**	**(1,020,494)**	**239,603,063**
Cost of sales and services	**70,161,520**	**37,085,591**	**17,661,005**	**27,052,323**	**2,468,337**	**–**	**(1,074,482)**	**153,354,294**
Gross income (loss)	**₱29,600,396**	**₱26,609,409**	**₱18,845,209**	**₱12,302**	**₱3,588,276**	**₱7,539,189**	**₱53,988**	**86,248,769**
General and administrative expenses								**42,843,018**
Impairment losses and others								**52,772**
Operating income								**43,352,979**
Financing cost and other charges								**(8,901,779)**
Finance income								**1,693,628**
Other operating income								**(318,165)**
Core earnings								**35,826,663**
Market valuation gains (losses) on financial assets								**761,452**
Foreign exchange gains (losses)								**(953,891)**
Income before income tax								**35,634,224**
Provision for income tax								**4,808,574**
Net income								**₱30,825,650**
Net income attributable to equity holders of the Parent Company	**₱3,866,028**	**₱4,579,359**	**₱9,767,510**	**(₱1,602,565)**	**₱280,786**	**₱5,348,158**	**(₱5,676)**	**₱22,233,600**
EBIT	**₱11,032,447**	**₱9,815,988**	**₱10,500,139**	**(₱1,004,046)**	**₱566,206**	**₱12,442,244**	**₱–**	**₱43,352,978**
Depreciation and amortization	**5,514,473**	**11,044,621**	**3,626,714**	**1,475,685**	**389,072**	**87,000**	**–**	**22,137,565**
EBITDA	**₱16,546,920**	**₱20,860,609**	**₱14,126,853**	**₱471,639**	**₱955,278**	**₱12,529,244**	**₱–**	**₱65,490,543**

	September 30, 2018							
	Foods, Agro-Industrial and Commodities	**Air Transportation**	**Real Estate and Hotels**	**Petrochemicals**	**Banking**	**Other Supplementary Businesses**	**Adjustments and Eliminations**	**TOTAL OPERATIONS**
Revenue								
Sale of goods and services:								
External customers	₱94,303,823	₱54,036,568	₱22,180,285	₱32,361,673	₱4,273,791	₱505,651	₱–	₱207,661,791
Intersegment revenue	–	–	60,781	1,076,789	–	–	(1,137,570)	–
	94,303,823	54,036,568	22,241,066	33,438,462	4,273,791	505,651	(1,137,570)	207,661,791
Dividend income	32,303	–	–	–	8,983	1,175,567	(1,199)	1,215,654
Equity in net earnings of associates and joint ventures	(91,086)	81,608	2,273,093	–	–	5,550,041	(2,502)	7,811,154
Total revenue	94,245,040	54,118,176	24,514,159	33,438,462	4,282,774	7,231,259	(1,141,271)	216,688,599
Cost of sales and services	66,555,385	35,512,129	10,117,058	30,199,340	1,510,564	–	(1,172,277)	142,722,199
Gross income (loss)	₱27,689,655	₱18,606,047	₱14,397,101	₱3,239,122	₱2,772,210	₱7,231,259	₱31,006	73,966,400
General and administrative expenses								38,916,997
Impairment losses and others								129,554
Operating income								34,919,849
Financing cost and other charges								(6,806,770)
Finance income								1,215,364
Other operating income								(133,001)
Core earnings								29,195,442
Market valuation gains (losses) on financial assets								830,635
Foreign exchange gains (losses)								(3,937,521)
Income before income tax								26,088,556
Provision for income tax								4,487,452
Net income								₱21,601,104
Net income attributable to equity holders of the Parent Company	₱3,758,236	₱1,878,681	₱6,291,163	₱1,935,225	₱175,996	₱819,863	(₱61,441)	₱14,797,723
EBIT	₱10,082,210	₱4,136,110	₱9,342,582	₱2,239,771	₱443,851	₱8,675,325	₱–	₱34,919,849
Depreciation and amortization	4,709,643	5,437,151	3,292,262	1,376,920	235,800	73,837	–	15,125,613
EBITDA	₱14,791,853	₱9,573,261	₱12,634,844	₱3,616,691	₱679,651	₱8,749,162	₱–	₱50,045,462

	September 30, 2019							
	Foods, Agro-Industrial and Commodities	**Air Transportation**	**Real Estate and Hotels**	**Petrochemicals**	**Banking**	**Other Supplementary Businesses**	**Adjustments and Eliminations**	**TOTAL OPERATIONS**
Other information								
Non-cash expenses other than depreciation and amortization								
Impairment losses on:								
Inventories	**₱2,406**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,406**
Receivables	**1,663**	**–**	**–**	**–**	**48,703**	**–**	**–**	**50,366**
	₱4,069	**₱–**	**₱–**	**₱–**	**₱48,703**	**₱–**	**₱–**	**₱52,772**

	September 30, 2018							
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL OPERATIONS
Other information								
Non-cash expenses other than depreciation and amortization								
Impairment losses on:								
Receivables	₱12,201	₱–	₱–	₱–	₱32,309	₱–	₱–	₱44,510
Inventories	6,754	–	–	–	–	–		6,754
Property, plant and equipment	–	60,710	–	–	–	–	–	60,710
Other assets	17,580	–	–	–	–	–		17,580
	₱36,535	₱60,710	₱–	₱–	₱32,309	₱–	₱–	₱129,554

Other information on the Group's operating segments follow:

	September 30, 2019							
	Foods, Agro-Industrial and Commodities	**Air Transportation**	**Real Estate and Hotels**	**Petrochemicals**	**Banking**	**Other Supplementary Businesses**	**Adjustments and Eliminations**	**Consolidated**
Segment assets	**₱158,082,057**	**₱160,032,408**	**₱177,014,406**	**₱115,218,481**	**₱110,409,385**	**₱183,695,051**	**(₱30,074,214)**	**₱874,377,574**
Segment liabilities	**₱71,680,488**	**₱116,080,120**	**₱79,494,377**	**₱61,654,609**	**₱93,535,915**	**₱94,051,847**	**(₱36,235,312)**	**₱480,262,044**
Capital expenditures	**₱7,192,529**	**₱4,591,226**	**₱7,743,860**	**₱17,135,305**	**₱163,048**	**₱37,483**	**₱–**	**₱36,863,451**

	December 31, 2018							
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	Consolidated
Segment assets	₱151,935,713	₱129,589,740	₱174,158,160	₱98,142,228	₱644,279	₱313,285,579	(₱48,468,683)	₱819,287,016
Segment liabilities	₱67,942,234	₱90,905,166	₱80,238,444	₱42,975,791	(₱21,503,836)	₱233,812,388	(₱42,561,032)	₱451,809,155
Capital expenditures	₱8,641,730	₱26,030,449	₱14,083,962	₱19,870,116	₱282,544	₱37,113	(₱622,200)	₱68,323,714

The table below presents the consolidated statement of financial position of the Group broken down between industrial and banking components:

	September 30, 2019			December 31, 2018		
	Industrial*	**Banks***	**Consolidated**	Industrial*	Banks*	Consolidated
ASSETS						
Current Assets						
Cash and cash equivalents	**₱35,203,714**	**₱13,052,869**	**₱48,256,583**	₱25,510,651	₱23,684,025	₱49,194,676
Financial assets at fair value through profit and loss	**4,535,971**	**113,754**	**4,649,725**	3,642,319	8,206	3,650,525
Financial assets at fair value through other comprehensive income	**8,322,043**	**9,006,531**	**17,328,574**	10,818,457	13,097,214	23,915,671
Receivables - net	**23,944,508**	**20,218,358**	**44,162,866**	23,189,216	20,486,137	43,675,353
Inventories - net	**59,978,972**	**–**	**59,978,972**	63,472,037	–	63,472,037
Biological assets - net	**1,135,946**	**–**	**1,135,946**	741,720	–	741,720
Contract assets	**4,681,804**	**–**	**4,681,804**	5,088,357	–	5,088,357
Other current assets	**25,957,543**	**228,876**	**26,186,419**	24,437,130	129,469	24,566,599
Total current assets	**163,760,501**	**42,620,388**	**206,380,889**	156,899,887	57,405,051	214,304,938
Noncurrent Assets						
Financial assets at fair value through other comprehensive income	**19,578,480**	**–**	**19,578,480**	19,457,412	–	19,457,412
Receivables - noncurrent	**2,506,723**	**52,401,932**	**54,908,655**	1,432,957	48,418,529	49,851,486
Investments at amortized cost	**–**	**11,405,876**	**11,405,876**	–	12,597,090	12,597,090
Investments in associates and JVs - net	**150,291,907**	**–**	**150,291,907**	144,914,597	–	144,914,597
Investments properties - net	**96,665,500**	**336,246**	**97,001,746**	93,475,897	341,074	93,816,971
Property, plant and equipment - net	**228,449,793**	**1,390,900**	**229,840,693**	217,650,662	622,993	218,273,655
Right-of-use Assets	**38,622,632**	**–**	**38,622,632**	–	–	–
Contract assets	**7,052,734**	**–**	**7,052,734**	6,444,995	–	6,444,995
Goodwill - net	**31,761,277**	**244,327**	**32,005,604**	31,761,277	244,327	32,005,604
Intangibles - net	**12,586,299**	**1,313,905**	**13,900,204**	12,627,358	1,327,067	13,954,425
Biological assets - bearer	**367,298**	**–**	**367,298**	366,184	–	366,184
Other noncurrents assets	**12,325,046**	**695,810**	**13,020,856**	12,746,726	552,933	13,299,659
Total Noncurrent Assets	**600,207,689**	**67,788,996**	**667,996,685**	540,878,065	64,104,013	604,982,078
	₱763,968,190	**₱110,409,384**	**₱874,377,574**	₱697,777,952	₱121,509,064	₱819,287,016

**Balances are after elimination of intercompany balances between industrial and banking components*

	September 30, 2019			December 31, 2018		
	Industrial*	**Banks***	**Consolidated**	Industrial*	Banks*	Consolidated
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities						
Accounts payable and accrued expenses	**₱64,404,433**	**₱68,221,328**	**₱132,625,761**	₱55,995,766	₱76,660,069	₱132,655,835
Short-term debt	**47,513,119**	**–**	**47,513,119**	35,453,724	–	35,453,724
Current portion of long-term debt	**5,835,545**	**–**	**5,835,545**	30,962,270	–	30,962,270
Contract liabilities	**5,012,741**	**–**	**5,012,741**	12,931,514	–	12,931,514
Derivative liabilities	**635,381**	**46**	**635,427**	585,770	337	586,107
Income tax payable	**1,484,771**	**15,260**	**1,500,031**	1,775,407	1,366	1,776,773
Other current liabilities	**15,686,363**	**404**	**15,686,767**	15,052,570	384	15,052,954
Total current liabilities	**140,572,353**	**68,237,038**	**208,809,391**	152,757,021	76,662,156	229,419,177
Noncurrent liabilities						
Long-term debt - net of current portion	**193,118,497**	**–**	**193,118,497**	179,286,698	–	179,286,698
Deferred tax liabilities - net	**7,914,231**	**–**	**7,914,231**	7,877,224	–	7,877,224
Contract liabilities	**2,741,791**	**–**	**2,741,791**	2,378,691	–	2,378,691
Other noncurrent liabilities	**46,224,514**	**21,453,620**	**67,678,134**	13,683,739	19,163,626	32,847,365
Total noncurrent liabilities	**249,999,033**	**21,453,620**	**271,452,653**	203,226,352	19,163,626	222,389,978
Total Liabilities	**390,571,386**	**89,690,658**	**480,262,044**	355,983,373	95,825,782	451,809,155
Stockholders' equity	**288,830,286**	**10,124,082**	**298,954,368**	267,378,514	9,207,357	276,585,871
Minority interest in consolidated subsidiaries	**88,411,774**	**6,749,388**	**95,161,162**	84,753,752	6,138,238	90,891,990
	₱767,813,446	**₱106,564,128**	**₱874,377,574**	₱708,115,639	₱111,171,377	₱819,287,016

**Balances are after elimination of intercompany balances between industrial and banking components*

Intersegment Revenues
Intersegment revenues are eliminated at the consolidation level.

Segment Results
Segment results pertain to the net income (loss) of each of the operating segments adjusted by the subsequent take up of significant transactions of operating segments with fiscal year-end and the capitalization of borrowing costs at the consolidated level for qualifying assets held by a certain subsidiary. The chief decision maker also uses the 'Core earnings', 'EBIT' and 'EBITDA' in measuring the performance of each of the Group's operating segments. The Group defines each of the operating segment's 'Core earnings' as the total of the 'Operating income', 'Finance income' and 'Other operating income' deducted by the 'Financing cost and other charges'. EBIT is equivalent to the Group's operating income while EBITDA is computed by adding back to the EBIT the depreciation and amortization expenses during the period. Depreciation and amortization include only the depreciation and amortization of plant and equipment, investment properties and intangible assets.

Depreciation and amortization
The amount of reported depreciation and amortization includes depreciation for investment properties and property, plant and equipment, and amortization of intangible assets.

Segment Assets
Segment assets are resources owned by each of the operating segments with the exclusion of intersegment balances, which are eliminated.

Segment Liabilities
Segment liabilities are obligations incurred by each of the operating segments excluding intersegment balances which are eliminated. The Group also reports, separately, to the chief operating decision maker the breakdown of the short-term and long-term debt of each of the operating segments.

7. Cash and Cash Equivalents

This account consists of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Cash on hand	**₱1,939,697**	₱2,529,043
Cash in banks	**20,039,515**	26,297,374
Cash equivalents	**26,277,371**	20,368,259
	₱48,256,583	₱49,194,676

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents represent money market placements made for varying periods depending on the immediate cash requirements of the Group.

8. **Derivative Financial Instruments**

Derivatives not designated as accounting hedges
The Group's derivatives not designated as accounting hedges include transactions to take positions for risk management purposes.

- Commodity swaps and zero cost collars
  CAI enters into zero cost collars and commodity swaps derivative contracts to manage its exposure to fuel price fluctuations. Such fuel derivatives are not designated as accounting hedges until September 30, 2019.

  The gains or losses on derivatives not designated for hedge accounting are accounted directly as charges against or credit to profit or loss whereas for designated hedges, effective portion identified under PFRS 9 hedge accounting are recognized as other comprehensive income or loss. Hedge ineffectiveness is recognized directly to profit or loss. As of September 30, 2019 and December 31, 2018, CAI has outstanding fuel hedging transactions. The notional quantity is the amount of the derivatives' underlying asset or liability, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The swaps and collars can be exercised at various calculation dates with specified quantities on each calculation date. The collars have various maturity dates through 2019 until 2021.

  For the nine months ended September 30, 2019, CAI recognized changes in fair value of derivatives totaling to ₱336.4 million net gain of which ₱16.5 million net loss is attributable to the effective portion of accounting hedges directly recognized in other comprehensive losses as 'Net fair value changes on cash flow hedge reserve'.

  For the nine months ended September 30, 2018, CAI recognized net changes in fair value of derivatives amounting to ₱1,910.1 million gains.

- Interest rate swap
  On December 18, 2012, JGSPL entered into an interest rate swap transaction with a notional amount of US$250.0 million effective January 16, 2013. The swap is intended to hedge the interest rate exposure due to the movements in the benchmark LIBOR on the US$ 250.0 million JGSPL 5-year Guaranteed Notes. In October 2016, JGSPL prepaid the notes and de-designated the interest rate swap as a cashflow hedge of the related notes. Accordingly, the changes in the fair value of the interest rate swap accumulated in other comprehensive income was recycled to profit or loss in 2016. In 2018, JGSPL recognized net changes in fair value of derivatives amounting to ₱13.9 million loss.

- Foreign currency forwards
  For the nine months ended September 30, 2019 and 2018, CAI recognized net changes in fair value of derivatives amounting to ₱285.6 million and ₱33.6 million loss, respectively.

The net changes in fair value of derivatives taken to profit or loss are included under 'Market valuation gains (losses) on derivative financial instruments' in the consolidated statements of comprehensive income.

Derivatives designated as accounting hedges
As part of its asset and liability management, the Group uses derivatives, particularly interest rate swaps, as cash flow hedges in order to reduce its exposure to market risks that is achieved by hedging portfolios of floating rate financial instruments.

The accounting treatment explained in Note 2 to the consolidated financial statements, *Hedge Accounting*, varies according to the nature of the hedged item and compliance with the hedge criteria. Hedges entered into by the Group which provide economic hedges but do not meet the hedge accounting criteria are included under derivatives not designated as accounting hedges.

- Currency Options
  The Group's currency options have a total notional amount of NZ$28.2 million with positive fair value amounting to ₱18.0 million as of September 30, 2019 and a positive fair value amounting to ₱6.4 million as of December 31, 2018. The swap is intended to hedge the foreign currency denominated future purchases and cash outflows of the Company.

Net changes in fair value of derivatives taken to other comprehensive income are recorded under 'Net gains (losses) from cash flow hedges' in the consolidated statement of comprehensive income.

Hedge Effectiveness Results
The hedge is assessed to be effective as the critical terms of the hedging instrument match the terms of the hedged item.

9. Financial Assets at Fair Value through Profit or Loss

These investments that are held for trading consist of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Debt securities:		
Government	**₱113,019**	₱8,206
	113,019	8,206
Equity securities:		
Quoted	**1,716,246**	1,836,233
	1,716,246	1,836,233
Investment in convertible note	**2,819,724**	1,806,086
Derivatives (Note 8)	**736**	–
	₱4,649,725	₱3,650,525

On April 13, 2017, JGSPL invested in a convertible note from Sea Limited in the amount of US$25.0 million (or ₱1.3 billion). The Principal Amount excluding any accrued and unpaid interest may be converted into fully paid and non-assessable voting ordinary shares of Sea Limited.

On February 27, 2019 and March 15, 2019, JGSPL converted the note to 1,834,188 ordinary shares of Sea Limited. On various dates in March 2019, JGSPL sold 1,245,094 shares of Sea Limited. On various dates in April 2019, JGSPL sold the remaining 589,094 shares of Sea Limited.

On December 14, 2018, EHI entered into a Securities Exchange Agreement with ORT Philippines Holdings Pte. Ltd. (ORT Philippines), wherein EHI sold to the latter all its shares (including deposit for future subscription) in Oriente Techsystem Philippines Corporation (OETC) and Paloo Financing Inc. (Paloo). Also, ORT Philippines transferred to the Company 6,627,08 Series A-2 Preferred shares of Oriente Finance Group Limited (OFGL) and a convertible note with a face value of $1.975 million. The convertible note of OFGL is classified under financial assets at fair value through profit or loss while the preferred shares are classified under financial assets at FVOCI. The group recorded gain from the disposal of its investment in OETC and Paloo amounting to ₱198.1 million.

On March 5, 2019, EHI entered into a convertible loan agreement with Snapcart Group (HK) Limited in the amount of US$1.0 million. The Principal Amount is subject to interest of 3% per annum, accruing from the date of receipt of the Principal Amount by EHI up to the Maturity Date. The agreement will mature 10 months from the date of the agreement. When the conditions for qualified financing are met, the outstanding convertible loan and all accrued but unpaid interest shall be automatically converted into shares in the Company.

On September 10, 2019, JGDCPL entered into a Note Purchase Agreement with Zuzu Hospitality Solutions Pte. Ltd. to invest in a Convertible Note amounting to SGD1.0 million. Zuzu Hospitality is a private company incorporated and based in Singapore that offers outsourced revenue management to independent hotels. Zuzu Hospitality currently operates in Indonesia and Taiwan.

10. Financial Assets at Fair Value through Other Comprehensive Income

Financial Assets at Fair Value through Other Comprehensive Income

This account consists of investments in:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Debt securities:		
Government	**₱4,550,412**	₱10,273,312
Private	**11,913,462**	12,964,659
	16,463,874	23,237,971
Equity securities:		
Quoted	**20,049,778**	19,878,903
Unquoted	**393,402**	256,209
	20,443,180	20,135,112
	₱36,907,054	₱43,373,083

Quoted equity securities pertain to investment in PLDT common shares and various golf club shares. The Group has irrevocably elected to classify these investments under this category as it intends to hold these investments for the foreseeable future.

Breakdown of Financial assets at FVOCI investments as shown in the consolidated statements of financial position follows:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Current portion	**₱17,328,574**	₱23,915,671
Noncurrent portion	**19,578,480**	19,457,412
	₱36,907,054	₱43,373,083

The Group has classified its remaining 17.3 million PLDT shares representing 8.0% ownership interest as financial assets at FVOCI investments which have a carrying values of ₱19.6 billion and ₱19.5 billion as of September 30, 2019 and December 31, 2018, respectively.

11. Receivables

This account consists of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Finance receivables	**₱71,406,270**	₱67,862,863
Trade receivables	**21,727,888**	21,279,464
Due from related parties	**2,889,199**	1,574,493
Interest receivable	**963,961**	1,005,297
Other receivables	**3,727,686**	3,429,659
	100,715,004	95,151,776
Less allowance for impairment losses	**1,643,483**	1,624,937
	₱99,071,521	₱93,526,839

Total receivables shown in the consolidated statements of financial position follow:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Current portion	**₱44,162,866**	₱43,675,353
Noncurrent portion	**54,908,655**	49,851,486
	₱99,071,521	₱93,526,839

Noncurrent receivables consist of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Finance receivables	**₱52,401,932**	₱48,418,529
Trade receivables	**1,226,723**	1,432,957
Due from related parties	**1,280,000**	–
	₱54,908,655	₱49,851,486

Trade Receivables
Included in trade receivables are installment contract receivables of the real estate segment of the Group. These are collectible in monthly installments over a period of between one year to ten years. The title of the real estate property, which is the subject of the installment contract receivable due beyond 12 months, passes to the buyer once the receivable is fully paid. Revenue from real estate and hotels includes interest income earned from installment contract receivables.

Other trade receivables are noninterest-bearing and generally have 30- to 90-day terms.

Others
Other receivables include claims receivables, and other non-trade receivables.

12. **Inventories**

This account consists of inventories held as follows:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Subdivision land, condominium and residential units for sale	**₱28,409,130**	₱31,464,454
Spare parts, packaging materials and other supplies	**11,182,200**	10,572,851
Finished goods	**10,369,167**	8,739,717
Raw materials	**8,299,801**	11,519,075
Work-in-process	**1,708,271**	1,169,384
By-products	**10,403**	6,556
	₱59,978,972	₱63,472,037

Land held for future development previously presented as non-current asset includes land which the BOD has previously approved to be developed into residential development for sale. Before the adoption of PIC Q&A 2018-11, the classification was based on the Group's timing to start the development of the property. This was reclassified under inventories in the consolidated statement of financial position. Land with undetermined future use was retained to investment properties.

The Group recognized impairment losses on its inventories included under 'Impairment losses and others' amounting to ₱2.4 million and ₱6.8 million in 2019 and 2018, respectively (see Note 34).

13. **Other Current Assets**

This account consists of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Input value-added tax (VAT)	**₱7,734,713**	₱5,866,369
Restricted cash	**8,189,154**	7,607,799
Advances to suppliers (Note 2)	**4,647,340**	5,949,470
Prepaid expenses	**2,551,645**	2,684,249
Creditable withholding tax	**1,825,962**	1,614,911
Advances to lot owners and joint operations	**787,569**	748,273
Derivative assets under hedge accounting (Note 8)	**17,977**	6,389
Utility deposits	**7,831**	7,831
Others	**424,228**	81,308
	₱26,186,419	₱24,566,599

Input VAT

The Group believes that the amount of input VAT is fully realizable in the future.

Advances to Suppliers

Advances to suppliers include advance payments for the acquisition of raw materials, spare parts, packaging materials and other supplies. Also included in the account are advances made to contractors related to construction activities and advances to service maintenance provider for regular maintenance and restoration costs of the aircraft. Advances for regular maintenance are recouped from progress billings, which occurs within one year from the date the advances arose, whereas, advance payment for restoration costs is recouped when the expenses for restoration of aircraft have been incurred. These advances are unsecured and noninterest-bearing.

Advances to Lot Owners and Joint Operations

Advances to lot owners consist of advance payments to land owners which will be applied against the acquisition cost of the real properties that will be acquired. The application is expected to be within twelve (12) months after the reporting date.

This also includes deposit to various joint operations partners representing share in an ongoing real estate development which will be liquidated at the end of the joint venture agreement. This deposit will be realized through RLC's share in the completed units or share in the sales proceeds of the units, depending on the agreement with the other party.

Interest in joint projects with Harbour Land Realty and Development Corp and Federal Land, Inc. (Jointly Controlled Operations)

On February 7, 2011, the RLC entered into a joint venture agreement with Harbour Land Realty and Development Corp (HLRD) and Federal Land, Inc. (FLI) to develop a project called Axis Residences located along Pioneer Street in Mandaluyong City. The construction of the planned 2-phase residential condominium has commenced in March 2012. One tower of first phase was completed on September 2015.

The agreed contributions of the parties follow:

a. RLC: Road lot valued at ₱0.1 billion and development costs amounting ₱1.4 billion
b. FLI: Development costs amounting to ₱0.8 billion
c. HLRD, an affiliate of FLI: Four (4) adjoining parcels of land valued at ₱0.7 billion located along Pioneer St., Mandaluyong City, 21,109 sqm.

Further, the sharing of saleable units (inventories) of real estate revenue, cost of real estate sales and any common expenses incurred, are as follows: RLC: 50.00%; FLI: 50.00%.

On December 6, 2017, RLC executed an addendum agreement with HLPDC and FLI to discontinue the development of Phase II.

The following were the agreements included in the addendum:

a. The development of the Project shall be limited to Phase 1;
b. The discontinuance shall be without fault on either of the Parties. Accordingly, HLPDC and FLI shall reimburse RLC the amount of ₱193 million representing the non-development of four (4) towers of Phase II;
c. Ownership and right of possession of the parcels of land corresponding to Phase II shall remain to be with HLPDC and shall be excluded from the provisions of the JVA.
d. The perpetual right to use RLC's land contribution is limited to Phase I and to the adjacent properties owned by HLPDC, FLI or its affiliates.

Prepaid Expenses
This account consists of prepayments on rent, insurance, taxes, and office supplies.

Restricted cash
RLC has restricted cash - escrow which pertains to cash placed in escrow funds earmarked for the acquisition of parcels of land, pursuant to the memorandum of agreement (MOA) with various sellers. Said amount shall be released to the sellers upon fulfillment of certain conditions set forth in MOA.

14. Investments in Associates and Joint Ventures

Details of this account follow:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Acquisition cost:		
Balance at beginning of year	**₱117,629,555**	₱115,132,973
Additional investments	**993,084**	3,273,567
Disposal of investment	**–**	(448,735)
Reclassification to investment in subsidiaries due to step-up acquisition	**–**	(328,250)
Balance at end of year	**118,622,639**	117,629,555
Accumulated equity in net earnings:		
Balance at beginning of year	**26,863,846**	23,183,588
Equity in net earnings	**11,019,615**	10,181,842
Dividends received	**(6,869,260)**	(5,914,109)
Reclassification to investment in subsidiaries due to step-up acquisition	**–**	105,478
Accumulated equity in net losses (earnings) of disposed investment	**–**	297,545
Elimination of unrealized gains on downstream sales	**17,142**	(990,498)
Balance at end of year	**31,031,343**	26,863,846
Share in unrealized gain (loss) on financial assets at fair value thru other comprehensive income (FVOCI) of associates:		
Balance at beginning of year	**(141,405)**	–
Share in net changes in fair value of financial assets at FVOCI of associates	**149,026**	(141,405)
Balance at end of year	**7,621**	(141,405)
Share in remeasurements of the net defined benefit liability of associates:		
Balance at beginning of year	**585,931**	198,173
Share in net changes in remeasurements of the net defined benefit liability of associates	**100,076**	387,758
	686,007	585,931
Cumulative translation adjustment	**241,747**	274,120
	150,589,357	145,212,047
Less allowance for impairment losses	**297,450**	297,450
	₱150,291,907	₱144,914,597

The composition of the carrying value of the Group's investments in associates and joint ventures and the related percentages of ownership interest are shown below:

	Percentage of Ownership		Carrying Value	
	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)	**September 30, 2019 (Unaudited)**	December 31, 2018 (Audited)
				(In Million Pesos)
Associates				
Domestic:				
Manila Electric Company (Meralco)	**29.56**	29.56	**₱80,081.6**	₱79,942.0
Global Business Power Corporation (GBPC)	**30.00**	30.00	**11,837.0**	12,126.0
Oriental Petroleum and Mining Corporation (OPMC)	**19.40**	19.40	**753.7**	791.6
Cebu Light Industrial Park, Inc. (CLIPI)	**20.00**	20.00	**59.2**	61.3
G2M Solutions Philippines Pte. Ltd (G2M)	**0.00**	0.00	**160.5**	160.5
RHK Land Corporation	**36.58**	36.58	**1,377.0**	1,383.3
1Aviation Groundhandling Services Corp	**27.12**	27.05	**27.7**	25.0
Shang Robinsons Properties, Inc.	**30.49**	30.49	**–**	–
Data Analytics Ventures, Inc. (DAVI)	**45.17**	–	**334.7**	**–**
Zyllem Pte. Ltd (Zyllem)	**13.33**	–	**50.6**	–
Foreign:				
United Industrial Corp., Limited (UICL)	**37.05**	37.05	**53,622.5**	48,981.3
Air Black Box (ABB)	**10.17**	10.15	**43.7**	43.7
			148,348.2	143,514.7
Joint Ventures				
Domestic:				
SIA Engineering (Philippines) Corp. (SIAEP)	**23.73**	23.67	**472.5**	425.7
Aviation Partnership (Philippines) Corp. (APPC)	**33.22**	33.14	**238.0**	252.4
Philippine Academy for Aviation Training (PAAT)	**33.90**	33.82	**216.7**	197.0
Vitasoy-URC, Inc (VURCI)	**27.63**	27.63	**147.7**	195.8
MPIC-JGS Airport Holdings, Inc.	**41.25**	41.25	**3.8**	3.8
Luzon International Premiere Airport Development Corp. (LIPAD)	**33.00**	–	**36.6**	–
Danone Universal Robina Beverages, Inc. (DURBI)	**27.63**	27.63	–	–
Foreign:				
RLC DMCI Property Ventures, Inc.	**30.49**	–	**496.2**	–
Calbee – URC Malaysia Sdn. Bhd (CURM)	**27.63**	27.63	**25.6**	31.8
Proper Snacks Foods Limited (PSFL)	**27.68**	27.68	**306.6**	293.3
			1,943.7	1,399.8
			₱150,291.9	₱144,914.5

Investment in Meralco

On December 11, 2013, the Parent Company completed the acquisition of 305,689,397 common shares of Manila Electric Company (Meralco) from San Miguel Corporation, San Miguel Purefoods Company, Inc., and SMC Global Power Holdings, Inc. (collectively referred to as "Sellers") for a total cost of ₱71.9 billion. The shares acquired represented 27.12% of Meralco's total outstanding common shares. Meralco is a corporation organized and incorporated in the Philippines to construct, operate, and maintain the electric distribution system.

On June 14, 2017, the Parent Company acquired an additional 27,500,000 common shares of Meralco for a total cost of ₱6.9 billion. After this transaction, the total number of shares held by the Parent Company is 333,189,397 representing 29.56% of Meralco's total outstanding common shares.

GBPC
On June 30, 2016, the Parent Company acquired 577,206,289 common shares of Global Business Power Corporation (GBPC) from Meralco Powergen Corporation (153,921,676 shares) and GT Capital Holdings, Inc. (423,284,613 shares) for a total cost of ₱11.8 billion. The acquisition represents 30.0% of GBPC's total outstanding common shares. GBPC is a company incorporated in the Philippines engaged in power generation.

OPMC
OPMC is a company incorporated in the Philippines with the purpose of exploring, developing and producing petroleum and mineral resources in the Philippines. As an exploration company, OPMC operational activities depend principally on its service contracts with the government. The Group accounts for its investment in OPMC as an associate although the Group holds less than 20.00% of the issued share capital, as the Group has the ability to exercise significant influence over the investment, due to the Group's voting power (both through its equity holding and its representation in key decision-making committees) and the nature of the commercial relationships with OPMC.

UICL
UICL, a company incorporated in Singapore is engaged in residential property management. UICL follows the fair value model in measuring investment properties while the Group follows the cost model in measuring investment properties. The financial information of UICL below represents the adjusted amounts after reversal of the effect of revaluation and depreciation on the said assets.

In 2017, the Group elected to receive 5,272,126 ordinary shares under the UIC Scrip Dividend Scheme in lieu of cash dividend at the issue price of S$2.99 per share.

Individually immaterial investees

CLIPI
The Group accounts for its investments in CLIPI as an associate as it owns 20.0% of the issued share capital of CLIPI. In 2015, CLIPI returned EHI's deposit for future stock subscription amounting to ₱5.0 million. As of September 30, 2019, the Group has deposit for future stock subscription in CLIPI amounting to ₱10.0 million. These represents 20.0% of CLIPI's proposed increase in authorize capital stock.

1Aviation
Investment in 1Aviation refers to CAI's 40.00% investment in shares of the joint venture. The joint venture agreement indicates that the agreed ownership ratio is 40% for CAI and the remaining 60% shall be collectively owned by PAGSS and an individual. CAI recognizes 40% share in net income and net assets of the joint venture.

1Aviation is engaged in the business of providing groundhandling services for all types of aircraft, whether for the transport of passengers or cargo, international or domestic flights, private. commercial, government or military purposes to be performed at the Ninoy Aquino International Airport and other airports in the Philippines as may be agreed by the co-venturers.

G2M
On August 13, 2018, the BOD of the Parent Company authorizes the corporation to invest and purchase a convertible note issued by G2M in the aggregate amount of up to $5.9 million, payable in installments and providing for right to convert to 14.90% of the issued and outstanding capital stock of G2M at the time of conversion, subject to the terms and conditions set forth in the convertible note.

On September 20, 2018, G2M issued a convertible promissory note amounting to \$5.9 million. Onthe same date, the Parent Company paid \$2.97 million to G2M as first installment payment for the note. The Parent Company will pay \$2.97 million as second installment payment for its convertible note when certain conditions are met. The investment in convertible note is accounted for as "Investment in Associate" since the Parent Company has one representation on the BOD of G2M while the conversion option is accounted for separately under "Fair value through profit or loss".

LIPAD
On February 18, 2019, the Parent Company invested in 33% of the issued share capital of LIPAD. LIPAD is a company incorporated in the Philippines with the purpose of engaging in the operation and maintenance of airports, whether operating as a domestic or international airport or both, including the day-to-day administration, functioning, management, manning, upkeep, and repair of all facilities necessary for the use or required for the safe and proper operation of airports.

ABB
In May 2016, CAI entered into Value Alliance Agreement with other low cost carriers (LCCs), namely, Scoot Pte. Ltd, Nok Airlines Public Company Limited, CEBGO, and Vanilla Air Inc. The alliance aims to increase passenger traffic by creating interline partnerships and parties involved have agreed to create joint sales and support operations to expand services and products available to passengers. This is achieved through LCCs' investment in Air Black Box (ABB).

In November 2016, CAI acquired shares of stock in ABB amounting to ₱43.7 million. ABB is an entity incorporated in Singapore in 2016 to manage the ABB settlement system, which facilitates the settlement of sales proceeds between the issuing and carrying airlines, and of the transaction fee due to ABB.

The investment gave CAI a 15% shareholding proportion to ABB which is classified as an investment in an associate and is accounted for at equity method. ABB started its operations in 2018, the investment is recognized at cost and is subject to any remeasurement within the measurement period. As of September 30, 2019 and December 31, 2018, the net carrying amount of the Group's investment with ABB amounted to ₱43.7 million.

SIAEP and APPC
SIAEP and APPC are jointly controlled entities which were established for the purpose of providing line, light and heavy maintenance services to foreign and local airlines, utilizing the facilities and services at airports in the country, as well as aircraft maintenance and repair organizations.

SIAEP was incorporated on July 27, 2008 and started commercial operations on August 17, 2009. APPC was incorporated on May 24, 2005 and started commercial operations on July 1, 2005.

PAAT
Investment in PAAT pertains to CAI's 60.00% investment in shares of the joint venture. However, the joint venture agreement between the CAI and CAE International Holdings Limited (CAE) states that CAI is entitled to 50.00% share on the net income/loss of PAAT. As such, the CAI recognizes equivalent 50.00% share in net income and net assets of the joint venture.

PAAT was created to address the Group's training requirements and to pursue business opportunities for training third parties in the commercial fixed wing aviation industry, including other local and international airline companies. PAAT was formally incorporated on January 27, 2012 and started commercial operations in December 2012.

CURCI
On January 17, 2014, URC entered into a joint venture agreement with Calbee, Inc., a corporation duly organized in Japan to form CURCI, a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the “Calbee Jack ‘n Jill” brand name, which is under exclusive license to CURCI in the Philippines. URC contributed cash to CURCI upon its incorporation in 2014 amounting to ₱327.0 million representing its 50% interest in the joint venture.

Oriente
On July 14, 2017, the Company entered into a joint venture with ORT Company (Singapore) Private Limited to invest in Oriente Express Techsystem Corporation (the "JV Company") in order to assist the JV Company in the expansion of its business and distribution of its products and services. The joint venture is setting up a digital financial services marketplace that will enable Filipinos to tap into credit facilities to bridge their ever-growing needs, whether to pay for tuition, unexpected medical expenses or even finance a small business. The Company contributed 50.00% interest in the joint venture amounting to ₱100.00 million.

HURC
URC has an equity interest in HURC, a domestic joint venture which is a jointly controlled entity. HURC manufactures and distributes food products under the “Hunt’s” brand name, which is under exclusive license to HURC in the Philippines. In 2017, URC entered into certain agreements with a third party to sell its rights, title, and interest in the assets used in manufacturing the Hunt’s business, well as pre-termination of the right to manufacture, sell, and distribute Hunt’s products. Subsequent to the sale HURC remains to exist as a jointly controlled entity.

VURCI
On October 4, 2016, URC entered into a joint venture agreement with Vita International Holdings Limited, a corporation duly organized in Hong Kong to form VURCI, a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the “Vitasoy” brand name, which is under exclusive license to VURCI in the Philippines. In 2017, URC made additional subscriptions to the unissued authorized capital stock of VURCI consisting of 12,600,000 common shares for a total cost of ₱126.0 million.

Paloo Financing, Inc.
On November 16, 2017, the Company entered into a joint venture agreement with ORT Company (Singapore) Private Limited to form Paloo Financing, Inc., a company organized to extend facilities to consumers and to industrial, commercial or agricultural enterprises. The Company contributed 50.00% interest in the joint venture amounting to ₱6.00 million.

DURBI
On May 23, 2014, URC entered into a joint venture agreement with Danone Asia Holdings, Pte. Ltd., a corporation duly organized in the Republic of Singapore to form DURBI, a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the “B’lue” brand name, which is under exclusive license to DURBI in the Philippines. URC contributed cash to DURBI upon its incorporation in 2014 amounting to ₱180.8 million representing its 50% interest in the joint venture. In 2016 and 2015, URC contributed an additional cash of ₱103.3 million and ₱129.0 million, respectively, to DURBI and maintained its 50% ownership.

PSFL
On June 30, 2017, Griffin's Food Limited (Griffin's) purchased 50.1% of the shares in Proper Snack Foods Ltd (a Nelson, New Zealand based business with the 49.9% shareholder being an individual) for a total consideration of approximately NZ$8.0 million, or ₱282.1 million. PSFL manufactures and distributes crisps.

Calbee-URC Malaysia
On August 23, 2017, URC Malaysia entered into a joint venture agreement with Calbee, Inc., a corporation duly organized in Japan to form Calbee – URC Malaysia Sdn Bhd (CURM), a corporation registered with the Companies Commission of Malaysia organized to manufacture savoury snack products. Total consideration amounted to MYR2.7 million (₱34.3 million).

Shang Properties, Inc
On November 13, 2017, the Parent Company's BOD approved the agreement with Shang Properties, Inc. (SPI) to form a joint venture corporation (JVC).

On May 23, 2018, Shang Robinsons Properties, Inc., the JVC, was incorporated. Both RLC and SPI each own 50% of the outstanding shares in the JVC. The office address of the JVC is at Lower Ground Floor, Cyber Sigma Building, Lawton Avenue, Fort Bonifacio Taguig.

RLC and SPI, through the JVC, shall build and develop a property situated at McKinley Parkway corner 5th Avenue and 21st Drive at Bonifacio Global City, Taguig, Metro Manila. The project is intended to be a mixed-use development and may include residential condominium units, serviced apartments and commercial retail outlets. The JVC also plans to pursue other development projects.

The investment in the JVC is accounted as joint venture using equity method of accounting because the contractual arrangement between the parties establishes joint control.

Hong Kong Land Group
On February 5, 2018, the Parent Company's BOD approved the agreement with Hong Kong Land Group (HKLG) represented by Hong Kong Land International Holdings, Ltd. and its subsidiary Ideal Realm Limited to form a joint venture corporation (JVC).

On June 14, 2018, RHK Land Corporation, the JVC, was incorporated. RLC and HKLG owns 60% and 40%, respectively, of the outstanding shares in the JVC. The principal office of the JVC is at 12F Robinsons Cyberscape Alpha, Sapphire and Garnet Roads, Ortigas Center, Pasig City.

RLC and HKLG, through the JVC, shall engage in the acquisition, development, sale and leasing of real property. The JVC shall initially undertake the purchase of a property situated in Block 4 of Bridgetowne East, Pasig City, develop the property into a residential enclave and likewise carry out the marketing and sales of the residential units. The JVC also plans to pursue other development projects.

On October 2018, the Parent Company entered into a Shareholder Loan Agreement with the JVC to make available a loan facility of ₱1.4 billion which the JVC may draw from time to time subject to the terms and conditions set out in the agreement.

The investment in the JVC is accounted as joint venture using equity method of accounting because the contractual arrangement between the parties establishes joint control.

DMCI Project Developers, Inc.
In October 2018, the Parent Company entered into a Joint Venture Agreement with DMCI Project Developers, Inc. (DMCI PDI) to develop, construct, manage, and sell a residential condominium

situated in Las Pinas City. Both parties agreed to incorporate a joint venture corporation where each party will hold a 50% ownership.

On March 18, 2019, RLC DMCI Property Ventures, Inc. was incorporated as the joint venture company (JVC) between RLC and DMCI PDI. RLC DMCI Property Ventures, Inc., shall purchase, lease and develop real estate properties situated in Las Pinas City. The proposed project is intended to be a multi-tower residential condominium and may include commercial spaces.

Zyllem
In August 2019, JGDCPL invested in 7,476,857 Series A+ shares of Zyllem Pte. Ltd. (Zyllem) at SGD0.1806 per share, or total subscription price of SGD1.35 million. Zyllem is a private company incorporated and based in Singapore that provides fast, cost-effective and reliable on-demand delivery service. Zyllem operates in certain cities in Southeast Asia. Post-subscription, JGDCPL holds 13.33% ownership interest in Zyllem. Also, under the Shareholders' Agreement, subject to JGDCPL holding less than 10% ownership interest, JGDCPL is entitled to appoint one (1) director. The investment in Zyllem is accounted for as "Investment in Associate" since the Parent Company has one representation on the BOD of Zyllem.

Davi
Investment in DAVI refers to the Group's investment in shares of the joint venture. DAVI is a data services firm which aims to create a digital rewards program and a robust data infrastructure and analytics enterprise to empower the conglomerate's consumer-oriented businesses.

15. **Other Noncurrent Assets**

This account consists of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Advances to suppliers - net of current portion	**₱5,266,053**	₱6,069,214
Advances to lot owners - net of current portion	**2,508,709**	1,471,892
Deferred tax assets	**1,798,214**	1,965,060
Security and miscellaneous deposits	**1,446,675**	1,223,108
Utility deposits	**748,740**	792,181
Others	**1,252,465**	1,778,204
	₱13,020,856	₱13,299,659

Security Deposits
Security deposits include deposits provided to lessors and maintenance providers for aircraft under operating lease.

Advances to Suppliers
Advances to suppliers pertain to RLC's advance payments to suppliers or contractors which will be applied against the final billing and this account also includes advances made for the purchase of various aircraft parts, service maintenance for regular maintenance and restoration costs of the aircraft which are expected to be consumed beyond one year from the reporting date.

Utility Deposits
Utility deposits consist primarily of bid bonds and meter deposits.

Advances to Lot Owners
Advances to lot owners consist of advance payments to land owners which will be applied against the acquisition cost of the real properties that will be acquired.

Others
Others include deferred input VAT, prepaid rent, deposits to various joint venture partners, and repossessed chattels.

16. Accounts Payable and Accrued Expenses

This account consists of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Deposit liabilities	**₱63,059,979**	₱66,322,621
Trade payables	**32,567,553**	30,421,769
Accrued expenses	**24,460,508**	19,460,691
Airport and other related fees payable	**4,469,122**	3,684,830
Bills payable	**2,635,896**	7,436,904
Output VAT	**1,233,562**	802,678
Withholding taxes payable	**330,363**	421,234
Dividends payable	**298,376**	43,304
Due to related parties	**138,025**	151,773
Other payables	**3,432,377**	3,910,031
	₱132,625,761	₱132,655,835

Deposit Liabilities
Deposit liabilities represent the savings, demand, time deposits and long-term negotiable certificates of deposit (LTNCD) of RBC and LSB.

Long-Term Negotiable Certificates of Deposit (LTNCD)
On May 4, 2017, the BSP approved RBC's issuance of the ₱3.00 billion LTNCD, with a right to increase the aggregate issue up to ₱5.0 billion in the event of over subscription. On June 16, 2017, RBC listed its LTNCD issuance amounting to ₱4.18 billion through the Philippine Dealing and Exchange Corporation. The minimum investment was ₱50,000 with increments of ₱10,000 thereafter. The peso-denominated issue will mature on December 16, 2022 with nominal interest rate of 4.125% and EIR of 4.29%, payable every quarter. On July 6, 2018, the RBC issued additional LTNCD amounting to ₱1.78 billion with nominal interest rate of 4.875% and EIR of 5.15% payable every quarter which will mature on January 6, 2024. The proceeds was used to diversify RBC's maturity profile and funding sources and for general corporate purposes.

Bills Payables
Bills payable consist of short-term peso denominated borrowings with various local banks, long-term peso denominated borrowing with DBP wholesale lending facility, overnight lending availments from the BSP and BSP rediscounting.

Trade Payables
Trade payables are noninterest-bearing and are normally settled on 30- to 60-day terms. Trade payables arise mostly from purchases of inventories, which include raw materials and indirect materials (i.e., packaging materials) and supplies, for use in manufacturing and other operations.

Trade payables also include importation charges related to raw materials purchases, as well as occasional acquisitions of production equipment and spare parts. Obligations arising from purchase of inventories necessary for the daily operations and maintenance of aircraft which include aviation fuel, expendables and consumables, equipment and in-flight supplies, and unpaid billings from suppliers and contractors related to construction activities, are also charged to this account.

Airport and Other Related Fees Payable
Airport and other related fees payable are amounts payable to the Philippine Tourism Authority and Air Transportation Office Mactan-Cebu International Airport and Manila International Airport Authority arising from aviation security, terminal fees and travel taxes.

Other Payables
Other payables consist of management bonus and other non-trade payables.

17. Other Current Liabilities

This account consists of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Unearned transportation revenue	**₱11,947,157**	₱11,110,518
Deposit from lessees (Note 19)	**3,087,426**	2,658,679
Derivative liabilities	**635,427**	586,107
Advances from agents and others	**515,087**	787,104
Customer's deposits	**137,097**	496,653
	₱16,322,194	₱15,639,061

Unearned Transportation Revenue
Passenger ticket and cargo waybill sales are initially recorded under 'Unearned transportation revenue' in the consolidated statements of financial position, until these are recognized under 'Air transportation revenue' in profit or loss in the consolidated statements of comprehensive income, when the transportation service is rendered by the Group (or once tickets are flown).

Advances from Agents and Others
Advances from agents and others represent cash bonds required from major sales and ticket offices or agents. This account also includes commitment fees received for the sale and purchase agreement of aircraft.

18. **Short-term and Long-term Debts**

Short-term Debts

Short-term debts consist of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Parent Company:		
Philippine Peso - with interest rates of 4.7%	**₱2,000,000**	₱–
Subsidiaries:		
Foreign currencies - unsecured with interest rates ranging from 2.18% to 4.43% in 2019 and 2.3% to 2.7% in 2018	**8,822,187**	11,042,205
Philippine Peso - with interest rates of 4.7% to 6.95% in 2019 and 3.1% to 3.4% in 2018	**36,690,932**	24,411,519
	₱47,513,119	₱35,453,724

Long-term Debts

Long-term debts (net of debt issuance costs) consist of:

	Maturities	Interest Rates	**September 30, 2019 (Unaudited)**	December 31, 2018 (Audited)	Condition
Parent Company:					
Fixed Rate Retail Bonds:					
₱30.0 billion Fixed Rate Retail Bonds					
₱24.5 billion bonds	2019	5.23%	**₱–**	₱24,501,988	Unsecured
₱5.3 billion bonds	2021	5.24%	**5,301,606**	5,295,849	Unsecured
₱0.2 billion bonds	2024	5.30%	**175,508**	175,385	Unsecured
Term Loans					
₱5.0 billion Term Loan	2022	4.65%	**4,985,445**	4,981,827	
₱5.0 billion Term Loan	2024	4.93%	**4,931,987**	4,979,548	
₱10.0 billion Term Loan	2023	BDO's 30-day prime rate (5.75%)	**9,943,278**	9,932,746	Unsecured
₱5.0 billion Term Loan	2023	Floating (6.0168%)	**4,971,517**	4,966,257	Unsecured
₱5.0 billion Term Loan	2024	4.901%	**4,963,190**	–	
₱7.0 billion Term Loan	2024	Floating (4.08%)	**6,948,486**	–	
			42,221,017	54,833,600	
Subsidiaries:					
Foreign currencies:					
JGSPL					
US$750.0 million guaranteed notes	2023	4.38%	**33,213,510**	33,672,158	Guaranteed
CAI					
ECA loans	2024	2-6%; 1-2% (US$ Libor)	–	2,988,657	Secured
USD Commercial loan from foreign banks	2025	3-6%; 1-2% (US$ Libor)	**26,803,918**	29,947,602	- do -
URC					
AU$484.2 million term loan	2021	AU 3.04% (BBSY BID+1.25%)	**16,820,512**	17,742,658	Guaranteed
NZ$395.0 million term loan	2019	NZ 3.15% (BKBM+1.10%)	**12,658,096**	–	
NZ$420.0 million term loan	2019	NZ BKBM+1.60%	–	13,714,467	Guaranteed
RLC					
RMB 6 Million term loan as of September 30, 2019 and RMB216 million as of December 31, 2018	2022	RMB 4.75%	**45,865**	1,651,127	Unsecured
			89,541,901	99,716,669	
Philippine Peso:					
RLC					
₱10.6 billion loan facility	2022	4.80%	**10,597,603**	10,586,697	Unsecured
₱1.4 billion loan facility	2025	4.93%	**1,356,842**	1,355,940	- do -
₱4.5 billion loan facility	2027	4.95%	**4,472,365**	4,475,915	- do -
₱7.0 billion loan facility	2024	4.75%	**6,836,372**	6,972,884	- do -
₱6.5 billion loan facility	2021	3.83%	**6,487,468**	6,482,437	- do -
₱5.0 billion loan facility	2023	3.89%	**4,956,209**	4,963,539	- do -

(Forward)

	Maturities	Interest Rates	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)	Condition
CAI					
Commercial loans	2027	2-3% (PDST-R2)	**18,902,265**	20,861,287	Guaranteed
Petrochem					
₱2.5 billion Term Loan	2026	6.64% and 6.62%	**2,492,000**	–	
₱11.1 billion Term Loan	2026	Floating (4.08% to 5.4%)	**11,090,000**	–	
			67,191,124		
			198,954,042	210,248,968	
Less current portion			**5,835,545**	30,962,270	
			₱193,118,497	₱179,286,698	

The details of the Group's long-term debt follow:

Subsidiaries' Foreign Currency Loans

JGSPL 4.375% Senior Unsecured Notes Due 2023

On January 24, 2013, JGSHPL issued US$750.0 million, 4.375% seniorunsecured notes due 2023. The notes are unconditionally and irrevocably guaranteed by the Parent Company.

JGSPL 5-year Guaranteed Notes

On January 16, 2013, JGSHPL, a wholly owned subsidiary of JGSPL, issued US$250.0 million, US$ LIBOR plus 2.2% margin, 5-year guaranteed notes. The notes are unconditionally and irrevocably guaranteed by the Parent Company. These notes are hedged items in a cash flow hedge (see Note 8). In October 2016, JGSHPL prepaid the notes under Clause 7.1 of the underlying Term Loan Facility Agreement. Total payment amounted to US$251.8 million (₱12.5 billion).

CAI's US Dollar Commercial Loan From Foreign Banks

From 2007 to 2018, CAI entered into commercial loan facilities to partially finance the purchase of 19 Airbus A320 aircraft, seven (7) Airbus A321 CEO aircraft and five (5) aircraft engines. The security trustees of these commercial loan facilities established SPEs – PTALL, PTHALL, SAALL, SBALL, SCALL, SDALL and TOADAC – which purchased the aircraft from the supplier pursuant to (a) five to ten-year finance lease arrangement for the Airbus A320 and A321 CEO aircraft; and (b) six-year finance lease arrangement for the engines. CAI has the option to purchase the aircraft and the engines for a nominal amount at the end of such leases. The lease rentals made by CAI to these SPEs correspond to the loan payments made by the SPEs to the commercial facility lenders.

In 2018, CAI prepaid the US dollar loan facilities for ten (10) Airbus A320 aircraft resulting to dissolution of PTHALL, SAALL and SBALL (Note 1). CAI subsequently entered into four (4) Philippine peso commercial loan facilities and six (6) USD commercial loans for the same aircraft. CAI also prepaid the loan facilities of the engines and entered into US dollar commercial loans to finance the acquisition of seven (7) Airbus A321 CEO aircraft.

The terms of the CAI commercial loans from foreign banks follow:

- Term of six to ten years starting from the delivery date of each aircraft.
- Combination of annuity style and equal principal repayments made on a semi-annual and quarterly basis.
- Mixed interest rates with fixed annual interest rates ranges from 3.00% to 5.00% and variable rates based on US dollar LIBOR plus margin.
- Upon default, the outstanding amount of loan plus accrued interest will be payable, and the lenders will foreclose on secured assets, namely the aircraft.

As of September 30, 2019 and December 31, 2018, the total outstanding balance of the US dollar commercial loans amounted to ₱26.8 billion (US$517.2 million) and

₱29.9 billion (US$569.6 million), respectively. Interest expense amounted to ₱980.4 million and ₱816.8 million in 2019 and 2018, respectively.

CAI's ECA Loans
From 2005 to 2012, CAI entered into ECA-backed loan facilities to partially finance the purchases of ten (10) Airbus A319 aircraft, seven (7) ATR 72-500 turboprop aircraft, and ten (10) Airbus A320 aircraft. The security trustee of these ECA loans established SPEs – CALL, BLL, SLL, SALL, VALL, and POALL - which purchased the aircraft from the supplier and leases such aircraft to the Parent Company pursuant to (a) ten-year finance lease arrangement for the ATR 72-500 turboprop aircraft and (b) twelve-year finance lease arrangement for the Airbus A319 and A320 aircraft, both with an option to purchase the aircraft for a nominal amount at the end of such leases. The lease rentals made by CAI to these SPEs, correspond to the loan payments made by the SPEs to the ECA-backed lenders.

In 2015 to 2017, CAI exercised the purchase option on ten Airbus A319 aircraft, which were then sold to a third party as part of a forward sale arrangement. The purchase required the prepayment of the balance of the loan facility attributed to the sold Airbus A319 aircraft.

In 2017, CAI prepaid the ECA Loans covering four (4) Airbus A320.

In 2018, the Parent Company exercised the option to purchase five (5) ATR 72-500 aircraft upon maturity and full payment of their corresponding loan facilities and prepaid the ECA loans covering three (3) Airbus A320.

As of December 31, 2018, the terms of the remaining ECA-backed facilities follow:

- Term of twelve (12) years starting from the delivery date of each Airbus A320 aircraft and ten (10) years for each ATR 72-500 turboprop aircraft.
- Combination of annuity style and equal principal repayments made on a semi-annual basis and a quarterly basis.
- Mixed interest rates with fixed annual interest rates ranges from 3.00% to 5.00% and variable rates based on US dollar LIBOR plus margin.
- Other than what is permitted by the transaction documents or the ECA administrative parties, the SPEs cannot create or allow to exist any other security interest.
- Upon default, the outstanding amount of loan plus accrued interest will be payable, and the ECA lenders will foreclose on secured assets, namely the aircraft.

In 2019, the Parent Company exercised the option to purchase the remaining two (2) ATR 72-500 upon maturity and full payment of their corresponding loan facilities and prepaid the ECA loans covering three (3) more Airbus A320. As of September 30, 2019, the Parent Company no longer has remaining ECA-backed facilities in its portfolio.

As of September 30, 2019 and December 31, 2018, the total outstanding balance of the ECA loans amounted to nil and ₱2,988.7 million (US$56.8 million), respectively. Interest expense amounted to ₱ 39.9 million and ₱143.5 million in 2019 and 2018, respectively.

CAI Commercial Loans From Domestic Banks
From 2016 to 2017, the Group entered into Philippine peso commercial loan facilities to partially finance the acquisition of eight (8) ATR 72-600 and two (2) Airbus A330 aircraft.

In 2018, the Group entered into Philippine peso commercial loan facilities to partially finance the acquisition of four (4) ATR 72-600 aircraft and refinance four (4) Airbus A320 aircraft.

The terms of the commercial loan facilities follow:

- Term of seven to ten years starting from the delivery dates of each aircraft.
- Twenty eight to forty equal consecutive principal repayments made on a quarterly basis.
- Interests on loans are variable rates based on Philippines Bloomberg Valuation (PH BVAL).
- Upon default, the outstanding amount of loan plus accrued interest will be payable, and the lenders will foreclose on secured assets, namely the aircraft.

As of September 30, 2019 and December 31, 2018, the total outstanding Philippine Peso commercial loans amounted to ₱18.9 billion and ₱20.8 billion, respectively. Interest expense incurred from these loans amounted to ₱947.2 million and ₱594.4 million in 2019 and 2018, respectively.

The Group is required to comply with affirmative and negative covenants until termination of loans. As of September 30, 2019 and December 31, 2018, the Group is not in breach of any loan covenants.

The Group is not in breach of any terms on the ECA and commercial loans.

URC NZ Finance Company Limited NZD395 Million Term Loan due 2023
On October 22, 2018, URC NZ FinCo entered into a term loan facility agreement guaranteed by the Parent Company payable in five years, amounting to NZ$395.0 million (₱14.4 billion), with various banks for payment of the NZ$420 million term loan due in 2019. The loan obtained bears a market interest rate plus a certain spread, payable quarterly, and maturing on October 22, 2023.

URC NZ Finance Company Limited NZD420 Million Term Loan due 2019
On November 13, 2014, URC New Zealand Holding Finance Company, Ltd. (URCNZH Fin Co) entered into a secured term loan facility agreement payable in five (5) years, amounting to NZD420M (₱13.4 billion), with various banks for payment of acquisition costs and refinancing certain indebtedness of an acquired company, NZ Snack Foods Holdings Limited.The loan obtained bears a market rate plus a certain spread, payable quarterly, maturing on November 13, 2019. This long-term loan is guaranteed by URC Parent Company.

In October 2018, URC NZ FinCo prepaid its 5-year term loan under Clause 7.1 of the underlying Facility Agreement at face value plus accrued interest. Total payment amounted to NZ$423.8 million (approximately ₱15.5 billion), which includes accrued interest. The prepayment resulted in the recognition of the unamortized debt issue costs of US$1.7 million (approximately ₱61.6 million) as expense presented under ‘Finance costs’ which represents the difference between the settlement amount and the carrying value of the loan at the time of settlement.

URC Oceania Company Limited NZD322 Million Term Loan due 2019
On November 13, 2014, URC Oceania entered into a secured term loan facility agreement payable in five (5) years, amounting to NZD322.0 million (₱9.6 billion), with various banks for payment of acquisition costs and to refinance certain indebtedness of an acquired company, NZ Snack Foods Holdings Limited. The loan obtained bears a market rate plus a certain spread, payable quarterly, maturing on November 13, 2019.

On February 16, 2016, URC Oceania prepaid its 5-year term loan under Clause 7.1 of the underlying Facility Agreement. Total payment amounted NZ$326.0 million (approximately ₱10.1 billion), including interest.

URC Australia Finance Company Limited Term Loan US$484.2 Million
On September 30, 2016, URC AU FinCo entered into a secured syndicated term loan facility agreement payable in five (5) years, amounting to AU$484.2 million (₱17.9 billion), with various banks for payment of acquisition costs and to refinance certain indebtedness of an acquired company, CSPL. The loan obtained bears a market rate plus a certain spread, payable quarterly, maturing on September 30, 2021. This long-term loan is guaranteed by URC Parent Company.

RLC Five-year loan from Agricultural Bank of China (ABC) maturing in August 2022
In 2017, Chengdu Xin Yao entered into a facility loan agreement with ABC amounting to RMB500.0 million. On August 22, 2017, RLC made a drawdown amount to ₱459.6 million or RMB60.0 million which is payable after a period of 5 years. Interest on the loan shall be based on the rates released by the People's Bank of China which is 4.75% per annum as of loan agreement date. This long-term loan is guaranteed with RLC's land use rights in China under Chengdu Xin Yao.

Three-year entrusted loan from Chengdu Ding Feng Real Estate Development Co. Ltd. Maturing in December 2019
In 2017, Chengdu Xin Yao entered into a loan agreement with Chengdu Ding Feng Real Estate Development Co. Ltd. amounting to RMB50.0 million. Interest on the loan is 4.75%.

<u>Philippine Peso Loans</u>

Parent Company ₱30.0 Billion Fixed Rate Retail Bonds
On February 28, 2014, the Parent Company issued a ₱30.0 billion fixed rate retail bond. The bond was issued in three series: (1) Five-year bond amounting to ₱24.5 billion fixed at 5.2317% due 2019; (2) Seven-year bond amounting to ₱5.3 billion fixed at 5.2242% due 2021; and (3) Ten year bond amounting to ₱176.3 million fixed at 5.3% due 2024. Interest is calculated on a 30/360-day count basis and are payable semi-annually starting August 27, 2014 and the 27th day of February and August of each year thereafter. Net proceeds from the bond issuance were used to partially finance its acquisition of Meralco shares and for general corporate purposes.

Parent Company ₱5.0 Billion Term Loan with BPI due in July 2022
On July 6, 2017, the Company borrowed ₱5.0 billion under Term Loan Facility Agreement with BPI with a fixed rate at 4.65% per annum and shall be payable quarterly in arrears.

Parent Company ₱5.0 Billion Term Loan with MBTC due in July 2024
On July 13, 2017, the Company borrowed ₱5.0 billion under Term Loan Facility Agreement with MBTC with a fixed rate at 4.93% per annum and shall be payable quarterly in arrears.

Parent Company ₱10.0 Billion Term Loan with BDO due in June 2023
On June 8, 2018, the Company borrowed ₱10.0 billion under Term Loan Facility Agreement with BDO.

Parent Company ₱5.0 Billion Term Loan with MBTC due in June 2023
On June 14, 2018, the Company borrowed ₱5.0 billion under Term Loan Facility Agreement with MBTC.

RLC ₱10.6 Billion Term Loan due in February 2022
On February 23, 2015, RLC issued ₱10.6 billion bonds constituting direct, unconditional, unsubordinated, and unsecured obligation obligations of RLC and shall at all times rank pari-passu and without preference among themselves and among any present and future unsubordinated and unsecured obligations of RLC, except for any statutory preference or priority established under

Philippine law. The net proceeds of the issue shall be used by RLC to refinance existing debt obligations and to partially fund investment capital expenditures.

Interest on the bonds shall be calculated on a 30/360-day count basis and shall be paid semi-annually in arrears on February 23 and August 23 of each year at which the bonds are outstanding. Interest rate is 4.80% per annum.

RLC ₱1.4 Billion Term Loan due in February 2025
On February 23, 2015, RLC issued ₱1.4 billion bonds constituting direct, unconditional, unsubordinated, and unsecured obligation obligations of RLC and shall at all times rank pari-passu and without preference among themselves and among any present and future unsubordinated and unsecured obligations of RLC, except for any statutory preference or priority established under Philippine law. The net proceeds of the issue shall be used by RLC to refinance existing debt obligations and to partially fund investment capital expenditures.

Interest on the bonds shall be calculated on a 30/360-day count basis and shall be paid semi-annually in arrears on February 23 and August 23 of each year at which the bonds are outstanding. Interest rate is 4.93% per annum.

RLC ₱6.5 Billion Term Loan due in July 2021
On July 8, 2016, RLC borrowed ₱6.5 billion under Term Loan Facility Agreements with BDO Unibank, Inc.

The loan was released on July 8, 2016 amounting to ₱3.0 billion and on September 27, 2016 amounting to ₱3.5 billion with interest rate at 3.83% per annum and shall be payable quarterly, computed on the basis of a year of 365 calendar days for the actual number of days elapsed.

RLC ₱5.0 Billion Term Loan due in August 2023
On August 10, 2016, RLC borrowed ₱5.0 billion under Term Loan Facility Agreements with Bank of the Philippine Islands. The ₱5.0 billion loan was released on August 10, 2016 with interest rate at 3.89% per annum and shall be payable quarterly, computed on the basis of a 360-day year and on the actual number of days elapsed.

RLC ₱7.0 Billion Term Loan due in March 2024
On March 15, 2017, RLC borrowed ₱7.0 billion under Term Loan Facility Agreements with Metropolitan Bank & Trust Company. The loan was released on March 15, 2017 amounting to ₱7.0 billion with interest rate at 4.75% per annum and shall be payable quarterly, computed on the basis of a year of 365 calendar days for the actual number of days elapsed.

RLC ₱4.5 Billion Term Loand due February 2027
On February 10, 2017, RLC borrowed ₱4.5 billion under Term Loan Facility Agreements with Bank of the Philippine Islands. The loan was released on February 10, 2017 amounting to ₱4.5 billion with interest rate at 4.95% per annum and shall be payable quarterly, computed on the basis of a year of 365 calendar days for the actual number of days elapsed.

CAI Philippine Peso Commercial Loans
In 2017, CAI entered into a Philippine peso commercial loan facility to partially finance the acquisition of six ATR 72-600 aircraft and one Airbus A330 aircraft.

The terms of the commercial loans follow:
- Term of ten years starting from the delivery date of each aircraft.
- Forty equal consecutive principal repayments made on a quarterly basis
- Interests on loans are variable rates. Interest rates ranges from 2.00% to 3.00%.
- The facilities provide that, upon event of default, the outstanding amount of loan will be payable, including interest accrued. The lenders will foreclose mortgaged assets, namely the aircraft.

JGSOC ₱2.5 Billion Term Loan due in April 2024
In April 2019, JGSOC borrowed a total ₱2.5 billion under Term Loan Facility Agreements with BPI with interest rate at 6.62% to 6.64% per annum.

JGSPC ₱1.3 Billion Term Loan due in May 2024
In May 2019, JGSPC borrowed a total ₱1.3 billion under Term Loan Facility Agreements with BPI with interest rate at 4.13%.

JGSPC ₱2.0 Billion Term Loan due in June 2024
In June 2019, JGSPC borrowed a total ₱2.0 billion under Term Loan Facility Agreements with BPI with interest rate at 4.1%.

JGSPC ₱3.4 Billion Term Loan due in July 2024
In July 2019, JGSPC borrowed a total ₱3.4 billion under Term Loan Facility Agreements with BPI with interest rate at 4.7% to 5.1% per annum.

JGSPC ₱4.4 Billion Term Loan due in August 2024
In August 2019, JGSPC borrowed a total ₱4.4 billion under Term Loan Facility Agreements with BPI with interest rate at 4.08% to 4.11% per annum.

Debt Covenants
Certain loan agreements contain provisions which, among others, require the maintenance of specified financial ratios at certain levels and impose negative covenants which, among others, prohibit a merger or consolidation with other entities, dissolution, liquidation or winding-up, except with any of its subsidiaries; and prohibit the purchase or redemption of any issued shares or reduction of registered and paid-up capital or distribution of assets resulting in capital base impairment.

For the Parent Company's ₱9.0 Billion, ₱5.0 Billion, ₱10.0 Billion, ₱5.0 Billion and ₱5.0 Billion Term Loan Facilities, the Group is required to maintain a financial ratio of Group's total borrowings to Group's shareholders' equity not exceeding 2.0:1.0.

For the Parent Company's ₱30.0 Billion Fixed Rate Retail Bonds, the Group is required to maintain the following financial ratios:
- the Group's current ratio of not less than 0.5:1.0;
- the Group's debt-to-equity ratio of not greater than 2.0:1.0

For RLC's ₱10.6 Billion Retail Bonds due in February 2022, ₱1.4 Billion Retail Bonds due in February 2025, ₱10.0 Billion Term Loan due in July 2019, ₱6.5 Billion Term Loan due in July 2021, ₱5.0 Billion Term Loan due in August 2023, ₱4.5 Billion Term Loan due in February 2027 and ₱7.0 Billion Term Loan due in March 2024, RLC is required to maintain a debt-to-equity ratio not exceeding 2:1 as referenced from its consolidated financial statement as of its year end December 31 and consolidated interim financial statements as of September 30. These loans were not guaranteed by the Parent Company.

For the RLC's RMB60 million loan from Agricultural Bank of China (ABC) maturing in August 2022, Chengdu Xin Yao is required to maintain the following financial indicators: (a) actual revenue in its operating period which should not be lower than 20%; (b) asset-liability ratio should not equal or exceed 70%; (c) the borrower should not have a bad credit; and (d) borrower contingent liability ratio should not exceed 4%. Chengdu Xin Yao has complied with the debt covenant as of September 30, 2019.

For CEB's ECA loans, the Group is required to maintain the following financial ratios:
- Consolidated EBITDA to consolidated interest payable ratio should not be less than 3:1 ratio;
- Consolidated total borrowings to consolidated equity should not exceed 2:1 ratio; and
- Consolidated current liabilities should not exceed consolidated current assets.

The agreements for the ECA loans also include conditions that has to be met prior to declaring CAI or the Parent Company in default or in breach of the related debt convenants, such as but not limited to, written notice of default and lapse of the relevant grace period.

For JGSPL's US$750.0 million Senior Unsecured Notes due in 2023, the guarantor shall procure:
- Consolidated Current Assets to Consolidated Current Liabilities is not at any time less than 0.5:1.0; and
- Consolidated Total Borrowings to Consolidated Stockholders' Equity does not at any time exceed 2:1.

For the NZ and AU Term loans,these loans contain negative covenants which include, among others, maintenance of a debt to equity ratio of not greater than 2.5 to 1.0.

The Group has complied with all of its debt covenants as of September 30, 2019 and December 31, 2018.

19. **Other Noncurrent Liabilities**

This account consists of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Lease liabilities	**₱34,692,419**	₱–
Deposit liabilities - net of current portion	**20,521,256**	19,066,221
ARO	**6,126,517**	5,982,198
Deposit from lessees - net of current portion	**3,078,244**	2,650,772
Pension liabilities	**1,232,480**	1,231,410
Deferred revenue on rewards program	**1,092,157**	954,057
Derivative liabilities	**27,192**	177,215
Accrued rent expense	**–**	1,608,664
Others	**907,869**	1,176,828
	₱67,678,134	₱32,847,365

<u>Deposit Liabilities</u>
Deposit liabilities represent time deposit liabilities of RBC and LSB with maturities of beyond 12 months from reporting date.

ARO

CAI is legally required under certain lease contracts to restore certain leased passenger aircraft to stipulated return conditions and to bear the costs of restoration at the end of the contract period. These costs are accrued based on estimates made by CAI's engineers, which include estimates of certain redelivery costs at the end of the operating aircraft lease.

URC also has obligations to restore the leased manufacturing sites, warehouses and offices at the end of the respective lease terms. These provisions are calculated as the present value of the estimated expenditures required to remove any leasehold improvements. These costs are currently capitalized as part of the cost of the plant and equipment and are amortized over the shorter of the lease term and the useful life of assets.

Deposits from Lessees

Deposits from lessees (including the current portion shown in Note 17) represent cash received from tenants representing three to six months' rent which shall be refunded to tenants at the end of lease term. These are initially recorded at fair value, which is obtained by discounting its future cash flows using the applicable rates of similar types of instruments. The deposits from lessees were discounted using PDST-F rate plus 2.0% spread.

Accrued Rent

Accrued rent expense represents the portion of the lease as a consequence of recognizing expense on a straight-line basis. These pertain to various lease of land entered by the Group where the malls are located.

Deferred Revenue on Rewards Program

This account pertains to estimated liability under the Getgo lifestyle rewards program.

The rollforward analyses of deferred revenue follow:

	2019	2018
Balance at beginning of year	**₱954,057**	₱720,230
Add: Estimated liability on issued points	**682,289**	691,673
Subtotal	**1,636,346**	1,411,903
Less: Estimated liability on redeemed points	**270,542**	178,326
Estimated liability on expired points	**273,647**	279,520
Balance at end of year	**₱1,092,157**	₱954,057

Others

Others include retention payable which represents amounts withheld from payments to contractors as guaranty for any claims against them. These are noninterest-bearing and will be remitted to contractors at the end of the contracted work.

20. **Equity**

Details of the Parent Company's authorized capital stock as of September 30, 2019 and December 31, 2018 follow:

	Par Value	Shares	Amount
Common shares	₱1.00	12,850,800	₱12,850,800
Preferred voting shares	0.01	4,000,000	40,000
Preferred non-voting shares	1.00	2,000,000	2,000,000
		18,850,800	₱14,890,800

As of September 30, 2019 and December 31, 2018, the paid-up capital of the Group consists of the following:

Capital stock:	
Common shares - ₱1 par value	**₱7,162,842**
Preferred voting shares - ₱0.01 par value	**40,000**
	7,202,842
Additional paid-in capital	**23,553,025**
Total paid-up capital	**₱30,755,867**

Preferred voting shares

The preferred voting shares have, among others, the following rights, privileges and preferences:

a. Entitled to vote on all matters involving the affairs of the Parent Company requiring the approval of the stockholders. Each share shall have the same voting rights as a common share.
b. The shares shall be non-redeemable.
c. Entitled to dividends at the rate of 1/100 of common shares, such dividends shall be payable out of the surplus profits of the Parent Company so long as such shares are outstanding.
d. In the event of liquidation, dissolution, receivership or winding up of affairs of the Parent Company, holders shall be entitled to be paid in full at par, or ratably, in so far as the assets of the Parent Company will permit, for each share held before any distribution is made to holders of the common shares.

Preferred non-voting shares

The preferences, privileges and voting powers of the preferred non-voting shares shall be as follows:

a. May be issued by the BOD of the Parent Company for such amount (not less than par), in such series, and purpose or purposes as shall be determined by the BOD of the Parent Company.
b. The shares shall be non-convertible, non-voting, cumulative and non-participating.
c. May be redeemable at the option of theParent Company at any time, upon payment of their aggregate par or issue value, plus all accrued and unpaid dividends, on such terms as the BOD of the Parent Company may determine at the time of issuance. Shares so redeemed may be reissued by the Parent Company upon such terms and conditions as the BOD of the Parent Company may determine.
d. The holders of shares will have preference over holders of common stock in the payment of dividends and in the distribution of corporate assets in the event of dissolution, liquidation or winding up of the Parent Company, whether voluntary or involuntary. In such an event, the holders of the shares shall be paid in full or ratably, insofar as the assets of the Parent Company will permit, the par or issue value of each share held by them, as the BOD of the Parent Company may determine upon their issuance, plus unpaid cumulated dividends up to the current period, before any assets of the Parent Company shall be paid or distributed to the holders of the common shares.
e. The holders of shares shall be entitled to the payment of current as well as any accrued or unpaid

dividends on the shares before any dividends can be paid to the holders of common shares.

f. The holders of shares shall not be entitled to any other or further dividends beyond that specifically payable on the preferred non-voting shares.
g. The holders of shares shall not be entitled to vote (except in those cases specifically provided by law) or be voted for.
h. The holders of shares shall have no pre-emptive rights, options or any other similar rights to subscribe or receive or purchase any or all issues or other disposition of common or other preferred shares of the Parent Company.
i. The shares shall be entitled to receive dividends at a rate or rates to be determined by the Parent Company's BOD upon their issuance.

Record of Registration of Securities with the SEC

Summarized below is the Parent Company's track record of registration of securities under the Securities Regulation Code.

Date of offering	Type of offering	No. of shares offered	Par value	Offer price	Authorized number of shares	Issued and outstanding shares
June 30, 1993	Registration of authorized capital stock	–	₱1.00	₱–	12,850,800,000 common shares and 2,000,000,000 preferred non-voting shares	–
June 30, 1993	Initial publicoffering (IPO)	1,428,175 common shares	1.00	4.40	–	1,428,175 common shares
June 30, 1994	Conversion of convertible bonds into common shares	428,175 common shares	1.00	13.75	–	3,725 common shares
July 3, 1998	Stock rights offering (1:2)	2,060,922 common shares	1.00	2.00	–	2,060,922 common shares

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to these ratios in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital structure or issue capital securities. No changes have been made in the objective, policies and processes as they have been applied in previous years.

The Group monitors its use of capital structure using a debt-to-capital ratio which is gross debt divided by total capital. The Group includes within gross debt all interest-bearing loans and borrowings and derivative liabilities, while capital represents total equity.

The Group's computation of debt-to-capital ratio follows:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
(a) Gross debt		
Short-term debt (Note 18)	**₱47,513,119**	₱35,453,724
Current portion of long-term debt (Note 18)	**5,835,545**	30,962,270
Long-term debt, net of current portion (Note 18)	**193,118,497**	179,286,698
Derivative liabilities (Note 8)	**662,619**	763,322
	₱247,129,780	₱246,466,014
(b) Capital	**₱394,115,530**	₱367,477,861
(c) Debt-to-capital ratio (a/b)	**0.63:1**	0.67:1

The Group's policy is to ensure that the debt-to-capital ratio would not exceed the 2.0:1.0 level.

Regulatory Qualifying Capital

In 2013, the determination of the Parent Company's compliance with regulatory requirements and ratios is based on the amount of the Parent Company's 'unimpaired capital' (regulatory net worth) reported to the BSP, which is determined on the basis of regulatory policies. In addition, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (parent company and subsidiaries engaged in financial allied undertakings). Qualifying capital and risk-weighted assets are computed based on BSP regulations.

The regulatory Gross Qualifying Capital of the Parent Company consists of Tier 1 (core) and Tier 2 (supplementary) capital. Tier 1 capital comprises share capital, retained earnings (including current year profit) and non-controlling interest less required deductions such as deferred tax and unsecured credit accommodations to DOSRI. Tier 2 capital includes unsecured subordinated note, revaluation reserves and general loan loss provision. Certain items are deducted from the regulatory Gross Qualifying Capital, such as but not limited to equity investments in unconsolidated subsidiary banks and other financial allied undertakings, but excluding investments in debt capital instruments of unconsolidated subsidiary banks (for solo basis) and equity investments in subsidiary non-financial allied undertakings.

Risk-weighted assets are determined by assigning defined risk weights to statement of financial position exposures and to the credit equivalent amounts of off-balance sheet exposures. Certain items are deducted from risk-weighted assets, such as the excess of general loan loss provision over the amount permitted to be included in Tier 2 capital. The risk weights vary from 0.00% to 125.00% depending on the type of exposure, with the risk weights of off-balance sheet exposures being subjected further to credit conversion factors.

Following is a summary of risk weights and selected exposure types:

Risk weight	Exposure/Asset type*
0%	Cash on hand; claims collateralized by securities issued by the non-government, BSP; loans covered by the Trade and Investment Development Corporation of the Philippines; real estate mortgages covered by the Home Guarantee Corporation
20%	COCI, claims guaranteed by Philippine incorporated banks/quasi-banks with the highest credit quality; claims guaranteed by foreign incorporated banks with the highest credit quality; loans to exporters to the extent guaranteed by Small Business Guarantee and Finance Corporation

Risk weight	Exposure/Asset type*
50%	Housing loans fully secured by first mortgage on residential property; Local Government Unit (LGU) bonds which are covered by Deed of Assignment of Internal Revenue allotment of the LGU and guaranteed by the LGU Guarantee Corporation
75%	Direct loans of defined Small Medium Enterprise and microfinance loans portfolio; nonperforming housing loans fully secured by first mortgage
100%	All other assets (e.g., real estate assets) excluding those deducted from capital (e.g., deferred tax)
125%	All NPLs (except nonperforming housing loans fully secured by first mortgage) and all nonperforming debt securities

* *Not all inclusive*

With respect to off-balance sheet exposures, the exposure amount is multiplied by a credit conversion factor (CCF), ranging from 0.00% to 100.00%, to arrive at the credit equivalent amount, before the risk weight factor is multiplied to arrive at the risk-weighted exposure. Direct credit substitutes (e.g., guarantees) have a CCF of 100.00%, while items not involving credit risk has a CCF of 0.00%.

On January 15, 2013, the BSP issued Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The circular is effective on January 1, 2014.

The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.0% and Tier 1 capital ratio of 7.5%. It also introduces a capital conservation buffer of 2.5% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10% and these ratios shall be maintained at all times.

Further, existing capital instruments as of December 31, 2010 which do not meet the eligibility criteria for capital instruments under the revised capital framework shall no longer be recognized as capital upon the effectivity of Basel III. Capital instruments issued under BSP Circular Nos.709 and 716 (the circulars amending the definition of qualifying capital particularly on Hybrid Tier 1 and Lower Tier 2 capitals), starting January 1, 2011 and before the effectivity of BSP Circular No. 781, shall be recognized as qualifying capital until December 31, 2015. In addition to changes in minimum capital requirements, this Circular also requires various regulatory adjustments in the calculation of qualifying capital.

On June 27, 2014, the BSP issued Circular No. 839, *REST Limit for Real Estate Exposures* which provides the implementing guidelines on the prudential REST limit for universal, commercial, and thrift banks on their aggregate real estate exposures. The Circular sets out a minimum REST limit of 6.0% CET1 capital ratio and 10% risk-based capital adequacy ratio, on a solo and consolidated basis, under a prescribed write-off rate of 25% on the Group's real estate exposure. These limits shall be complied with at all times.

On June 9, 2016, the BSP issued Circular No. 881, *Implementing Guidelines on the Basel III Leverage Ratio Framework,* which provides implementing guidelines for universal, commercial, and their subsidiary banks/quasi banks. The circular sets out a minimum leverage ratio of 5.00% on a solo and consolidated basis and shall be complied with at all times.

RBC has taken into consideration the impact of the foregoing requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis.

As of September 30, 2019, RBC was in compliance with the required CAR.

Restricted Retained Earnings

Parent Company
On December 14, 2017, the BOD approved the appropriation of retained earnings amounting to ₱3.7 billion.

As of September 30, 2019, the Parent Company's restricted retained earnings amounted to ₱100.7 billion earmarked for the following: (a) settlement of a certain subsidiary's loan obligations guaranteed by the Parent Company; (b) funding of capital expenditure commitments of certain wholly owned subsidiaries; (c) capital investment related to Digital venture businesses; (d) capital investments related to the Clark International Airport expansion project and (e) and general corporate purposes.

The details of the loan obligations follow:

	Subsidiary	Amount	Settlement
Loan obligations:			
4.375% senior unsecured notes	JGSH Philippines, Limited	US$750.0 million	10 years maturing in 2023
Term Loans	Parent Company	₱25.0 billion	Maturing in 2022 and 2024
Retail Bonds	Parent Company	₱30.0 billion	Maturing in 2019, 2021 and 2024

As part of its debt covenant, the Parent Company has to maintain certain financial ratios such as: (a) the Group's current ratio of not lesser than 1.0:1.0; and (b) the Group's debt-to-equity ratio of not greater than 2.0:1.0. A certain portion of the Parent Company's retained earnings is restricted to maintain these financial ratios.

URC
On December 18, 2018, the BOD approved the reversal of the appropriation of retained earnings in the aggregate amount of ₱2.5 billion, which was approved by the BOD in its resolutions adopted on September 27, 2016 and December 15, 2017.

RLC
On December 14, 2018, the BOD approved the reversal of the retained earnings it appropriated in 2017 amounting to ₱24,500 million as the related projects to which the retained earnings were earmarked were completed already. The amount was originally earmarked for the continuing capital expenditures of the Group for subdivision land, condominium and residential units for sale, investment properties and property and equipment.

On the same date, the BOD also approved the appropriation of ₱27,000 million, out of the unappropriated retained earnings, to support the capital expenditure requirements of the Group for various projects approved by the Executive Committee during meetings held in December 2018. These projects and acquisitions are expected to be completed in various dates in 2019 up to 2023.

CAI
The income of the subsidiaries and JVs that are recognized in the consolidated statements of comprehensive income are not available for dividend declaration unless these are declared by the subsidiaries and JVs. Likewise, retained earnings are restricted for the payment of dividends to the extent of the cost of common stock held in treasury amounting to ₱906.1 million and ₱785.5 million as of September 30, 2019 and December 31, 2018, respectively.

On May 19, 2018, CAI's BOD approved the declaration of a regular cash dividend in the amount of ₱1,745.1 million or ₱2.88 per share and a special cash dividend in the amount of ₱981.6 million or ₱1.62 per share from the unrestricted retained earnings of CAI to all stockholders of record as of June 14, 2018 and payable on July 10, 2018. Total dividends declared and paid amounted to ₱2,726.8 million for the year ended December 31, 2018.

RBC
In 2018, RBC's BOD approved to appropriate reserves for trust reserves amounting to ₱0.6 million.

As of September 30, 2019 and December 31, 2018, RBC's BOD approved to appropriate reserves for expected credit losses amounting to ₱440.8 million and ₱98.7 million, respectively, in compliance with the requirements of the BSP Circular No. 1011. Under this BSP Circular, the Bank shall treat Stage 1 provisions for loan accounts as General Provisions (GP) while Stage 2 and 3 provisions shall be treated as Specific Provisions (SP). The Bank shall set up GLLP equivalent to 1% of all outstanding on-balance sheet loan accounts, except for accounts considered as credit risk-free under existing regulations. In cases when the computed allowance for credit losses on Stage 1 accounts is less than the 1% required GP, the deficiency shall be recognized by appropriating the 'Surplus' account. GP recognized in profit or loss as allowance for credit losses for Stage 1 accounts and the amount appropriated in surplus shall be considered as Tier 2 capital subject to the limit provided under the CAR framework.

Accumulated equity in net earnings of the subsidiaries and associates
A portion of the Group's retained earnings corresponding to the net earnings of the subsidiaries and accumulated equity in net earnings of the associates and joint ventures amounting to ₱110.16 billion and ₱96.0 billion as of September 30, 2019 and December 31, 2018, respectively, is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon receipt of cash dividends from the investees.

Equity Reserve
On September 27, 2016, URC reissued 22.7 million common shares previously held as treasury shares by way of block sale at a selling price of ₱193.45 per share, with a total selling price amounting to ₱4.4 billion, net of transaction costs amounting to ₱27.2 million. As a result of the sale, the equity interest of the Parent Company over URC changed from 55.83% to 55.25%. The excess of the total consideration received over the carrying value of the interest transferred to the non-controlling interest is included under 'Equity Reserve' in the 2016 consolidated statements of changes in equity.

21. Employee Benefits

Pension Plans
The Group has funded, noncontributory, defined benefit pension plans covering substantially all of their regular employees, except for JGSPC that has an unfunded, noncontributory defined benefit pension plan.

The pension funds are being administered and managed through JG Summit Multi-Employer Retirement Plan (the "Plan"), with RBC as Trustee. The plans provide for retirement, separation, disability and death benefits to their members. The Group, however, reserves the right to discontinue, suspend or change the rates and amounts of their contributions at any time on account of business necessity or adverse economic conditions.The retirement plan has an Executive Retirement Committee, that is mandated to approve the plan, trust agreement, investment plan, including any amendments or modifications thereto, and other activities of the Plan. Certain members of the BOD of the Parent Company are represented in the Executive Retirement

Committee. Robinsons Bank Corporation manages the plan based on the mandate as defined in the trust agreement.

The overall expected rates of return on assets are based on the market expectations prevailing as at the reporting date, applicable to the period over which the obligation is settled.

The Group expects to contribute ₱737.2 million into the pension fund in 2019.

22. Earnings Per Share

Basic earnings per share is calculated by dividing the net income for the year attributable to equity holders of the Parent Company divided by the weighted average number of common shares outstanding during the year (adjusted for any stock dividends).
The following tables reflect the net income and share data used in the basic/dilutive EPS computations:

Earnings per share attributable to equity holders of the Parent Company

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
Income attributable to equity holders of common shares of the Parent Company	**₱22,233,600**	₱14,797,723
Weighted average number of common shares	**7,162,842**	7,162,842
Basic/diluted earnings per share	**₱3.10**	₱2.07

23. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or if they are subjected to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties and are generally settled in cash. Due from and due to related parties are collectible/payable on demand.

The Parent Company has signed various financial guarantee agreements with third parties for the short-term and long-term loans availed by its subsidiaries (see Note 18). No fees are charged for these guarantee agreements. Being the centralized treasury department within the Group, the Parent Company usually receives advances from subsidiaries and in turn, makes advances to other subsidiaries.

Most of the aforementioned intercompany transactions between the Parent Company and its subsidiaries are eliminated in the accompanying consolidated financial statements.

Transactions with the retirement plan
The retirement fund is being managed by JG Summit Multi-Employer Retirement Plan (MERP), a corporation created for the purpose of managing the funds of the Group, with RBC as the trustee.

The retirement plan under the MERP has an Executive Retirement Committee , that is mandated to approve the plan, trust agreement, investment plan, including any amendments or modifications thereto, and other activities of the plan. Certain members of the BOD of the Parent Company are represented in the Executive Retirement Committee. RBC manages the plan based on the mandate as defined in the trust agreement.

Compensation of key management personnel
There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's pension plans.

24. Registration with Government Authorities/Franchise

Certain operations of consolidated subsidiaries are registered with the BOI as preferred pioneer and non-pioneer activities, and are granted various authorizations from certain government authorities. As registered enterprises, these consolidated subsidiaries are subject to some requirements and are entitled to certain tax and non-tax incentives which are considered in the computation of the provision for income tax.

25. Contingent Liabilities

Contingencies
The Group has various contingent liabilities arising in the ordinary conduct of business from legal proceedings which are either pending decision by the courts, under arbitration or being contested, the outcomes of which are not presently determinable. In the opinion of management and its legal counsels, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* is not disclosed on the ground that it can be expected to prejudice the outcome of these lawsuits, claims, arbitration and assessments.

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

FINANCIAL RATIOS
AS OF SEPTEMBER 30, 2019 AND DECEMBER 31, 2018 AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

The following are the financial ratios that the Group monitors in measuring and analyzing its financial soundness:

Financial Ratios	**2019**	2018
Profitability Ratio		
Operating margin	**18%**	16%
Liquidity Ratio		
Current ratio	**0.99**	0.93
Capital Structure Ratios		
Gearing ratio	**0.63**	0.67
Net debt to equity ratio	**0.49**	0.53
Asset to equity ratio	**2.22**	2.23
Interest rate coverage ratio	**7.36**	7.35